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Credit
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Credit
AND FINANCIAL MANAGEMENT

Contents for December, 1941

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Richard G. Tobin
Editor and Manager

Paul Haase
Associate Editor

Clifford T. Rogers
Advertising Manager

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Illustration by Wm. Roscow

Faith!

Reprinted by Request

Three hours to idle away in a far-Western town. Up and down Main Street I strolled. The Main Street was without character. Garish chain store fronts in monotonous rows. Occasionally, an individual shop attracted my attention. I passed close to the plate glass front to take a look at the proprietor. He might be worth appraising.

Perhaps the outskirts of the town might be more attractive. Why not try? I circled the village once, then again and a third time. Nine churches I counted. Six in dilapidated condition—abandoned. The shutters hung desperately to their last hinges. The front steps parted company with the sills. Broken windows. The rotting eaves housed the sparrows with their untidy nests sprawling all over the cornice.

I asked about the community. The population, I was told, had not varied a great deal in the last forty years. My imagination was spurred. Had this been the place of my birth, as it well might have been, no doubt some of the churches now so dilapidated would have been places of worship for my ancestry.

There was nothing to do but go back to Main Street. I thoroughly read and digested every part of the morning paper. It told of a stock crash, of impending conflict in Europe, of internal dissension and strife, of panic-stricken people who were looking towards the approaching winter with misgiving. Instinctively I thought of the six abandoned churches and of the world's unrest. Something went wrong with people. Something we seemed unable to correct.

This nation was carved out of a wilderness by those who have gone before us. They built our country. Our generation has been living and spending from their storehouse.

Was there any connection between their exercise of the virtues of thrift and industry and the nine churches? Did they find something fundamental in religion that convinced them idleness was sin and industry God's labor of love? Did not pioneering ministers preach the virtue of independence and the vice of dependence? Did not the early settlers practice self-denial to build the virtue of modesty and kindle a spirit of happiness? Did they not, in their Sabbath journey to church, feel a sense of comfort in the discharge of a duty their innate soul somehow told them was necessary if they were to be healthy and wholesome.

In times of catastrophe was there not something in their Sabbath training, as they listened to their spiritual leaders, that caused them to go forth anxious and eager to aid those in distress? Wasn't the destruction of their neighbor's barn by lightning or fire an opportunity for them to evidence respect and love for neighbor by joining together in a barn-raising? When the fields of grain were ripe in the neighbor's field, and he lay ill, did they not in some way get the spirit from these six abandoned buildings that caused them to make their neighbor's harvest without thought of sharing for their labor?

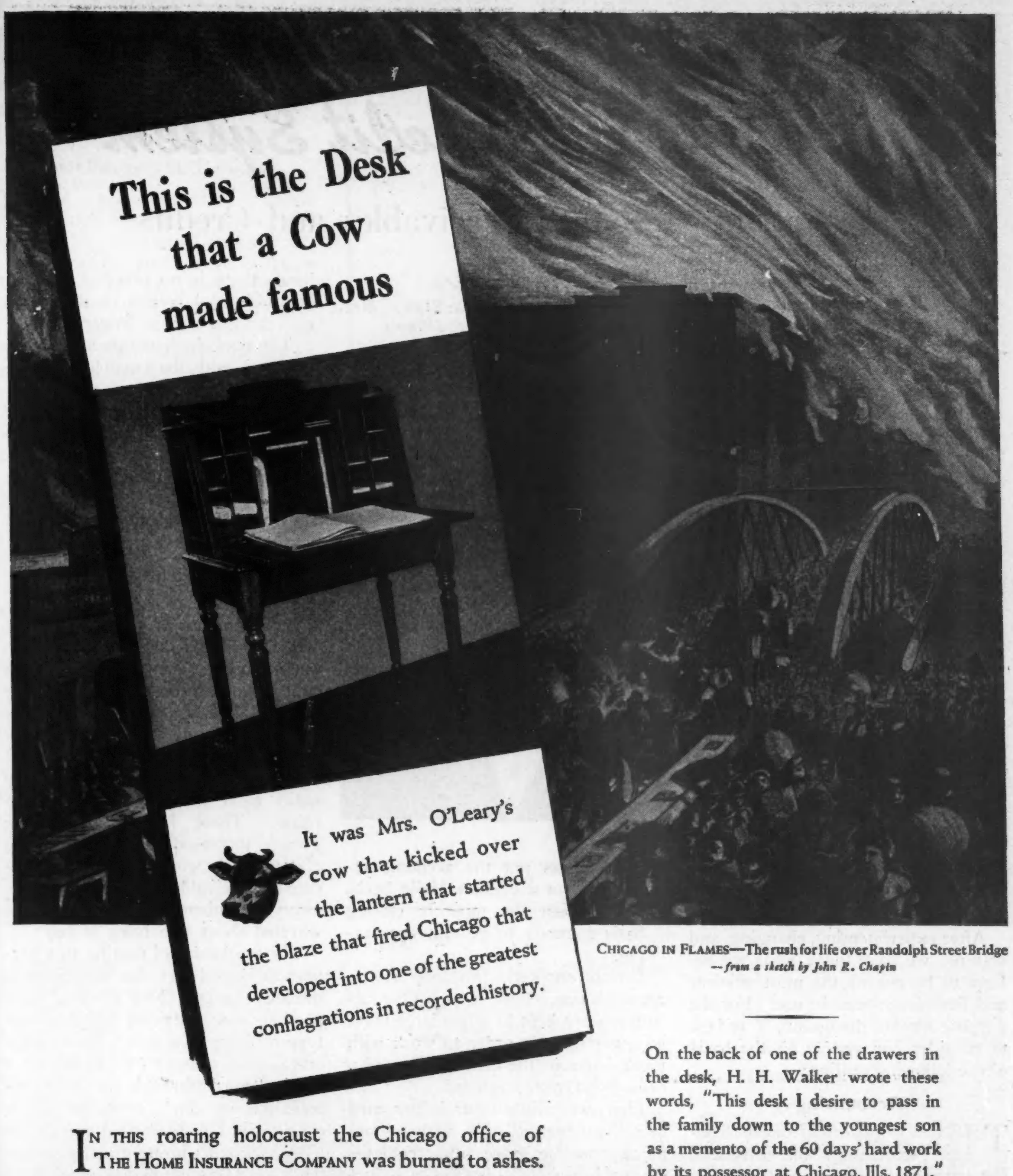
Just why did that community have nine churches, all seemingly well-supported, and just why does the present generation find it difficult to support only three? Are these six churches to be abandoned as having been a part of the old order of things?

Suppose they were reopened. Suppose all abandoned churches reopened and the pews were filled each Sabbath day. Would the world be nearer solving its problems? How difficult it is to answer this in the negative! How easy it is to assume that things would be better!

We speak of a balanced prosperity but even as we utter the words we ought to realize that true prosperity calls for a balance of both soul and body.

What is good business? There are many ideas on this. What are good politics? Ideas are even more confused. Suffice to say, nothing is good in either business or politics that doesn't have a sound foundation. Can there be a sound foundation in anything without faith?

Henry H. Heimann,
Executive Manager, N.A.C.M.



CHICAGO IN FLAMES—The rush for life over Randolph Street Bridge
—from a sketch by John R. Chapin

IN THIS roaring holocaust the Chicago office of THE HOME INSURANCE COMPANY was burned to ashes. This did not, however, prevent settlement of claims insured by the Company. H. H. Walker, Adjuster of THE HOME, sat behind this desk, which is now in the H. V. Smith Museum collection; and from improvised headquarters accomplished settlement of losses amounting to more than $3,000,000. The promptness and reliability with which insured losses were paid emphasize today the calibre of protection always afforded by companies of THE HOME FLEET.

On the back of one of the drawers in the desk, H. H. Walker wrote these words, "This desk I desire to pass in the family down to the youngest son as a memento of the 60 days' hard work by its possessor at Chicago, Ills. 1871."

☆ THE HOME ☆
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE INSURANCE

A Functional Credit System

Combines Accounts Receivables and Credits

By C. V. COX

Credit Manager, A. E. Staley Mfg. Company, Decatur, Illinois

Remember that favorite pipe which you nursed along so carefully? Then "Junior" initiated it to a bubble bath. Remember that pet suit which the good wife thought made such a splendid donation to the ladies' rummage sale? Then you can imagine how we felt when the boss walked in one morning and nonchalantly announced, "Our system is obsolete; let's remodel!"

And so began a new era in record keeping and system pertaining to our accounts receivable and credits. To begin with, we had two separate reccords of accounts receivable, each having its full share of deficiencies. Credit Department customer records, although kept fairly current, were incomplete and without the necessary accounting checks to prevent inaccuracies. The accounts receivable ledger in the Accounting Department revolved around its orbit of monthend accounting and as a result was plagued with lag to such a degree that it was useless as an instrument in approving credits or effecting collections.

After experimenting, changing, and shifting, we have today what we believe to be one of the most efficient and flexible systems in use. For the purpose of this discussion, it is best to consider our system on the basis of the following outline:

Accounting

THE flow of material from the Billing, Accounting, and Financial Departments, as shown on the chart, indicates the point of final, permanent, recording which constitute the accounting phase of our department.

We merged the accounts receivable section of the Accounting Department with the Credit Department, with the idea of building an efficient, sound and flexible system from the good qualities of the two. This accomplished two definite things:

1. It has eliminated duplications of records.

2. It has put the accounts receivable on a current, daily basis, rather than the monthly closing basis common to general accounting.

One of our early problems was to remodel our ledger card. Our accounts were kept in a few large trays so heavy that, in order to work with them, some of the qualifications of a dock hand were required.

First, we reduced our ledger card to a "vest pocket" size, without sacrificing posting space. Our card today measures 6 x 9 inches—a reduction in size and weight of 52 per cent. In spite of this streamlining, our card has a capacity for 80 single-line postings.

One of the means we used to eliminate bulk and weight was to post both charges and credits in a single column, as shown in the reproduction. The picture may appear to be a bit confusing, however, our machine automatically prints all credit symbols, amounts, and balances in red, hence there is no practical need for the additional column found in the conventional form of ledger card.

The symbols shown are more or less standard, with the possible exception of PM and BM. These are abbreviations to indicate sales made by our Package and Bulk or Industrial Sales Divisions. The narrow column to the extreme right is used by our statement clerk for designating dates of statements mailed on past-due accounts.

Use Small Trays

HAVING disposed of a substantial amount of weight and bulk, we then placed our ledger cards in small trays. We use about three times as many of these small trays as we did of the older type. These smaller trays complete with ledger cards weigh only seven or eight pounds each, and any employee can easily move them to a desk or machine. These factors alone have greatly increased the flexibility and efficiency in working with our accounts receivable. No more large, heavy, cumbersome trays to be wheeled about like bales of hay!

The mechanics of posting to a permanent record has also undergone a drastic change. Not so long ago, posting was restricted to only one type of entry at a time. This meant one of two things: (1) From three to six "runs" through the ledger to complete one day's work, or (2) a continually lop-sided condition of the ledger accounts brought about by the tendency to accumulate a number of days of posting media of any particular type before applying it to the ledger.

With a few minor exceptions, our posting media are individual forms adapted to "stuffing" the ledger. The day's posting consists of invoices, cash receipts, cash disbursements, debit and credit memorandums, and miscellaneous journal vouchers. These are sorted and arranged in the order of our ledgers and then placed in

front of each of the accounts effected. At this time these particular accounts are offset. This method provides for more time for the machine operator to give to strictly machine work.

How Posting Is Handled

EACH days one "run" is made through the ledger, posting the media which has been "stuffed." It is not at all unusual for the operator to post invoices, cash, and possibly a credit or debit at a single insertion of an account. The machine register totals are verified by comparison with a pre-determined control on each section of the ledger. The same verification system applies in respect to the various types of media posted.

Our cash receipts require more preparation for posting than any of the other media. When a check is received in the Mail Department, it is forwarded with its envelope to the Financial Department. The Financial Department ascertains whether the remittance applies to the accounts receivable or some other account, before the check is deposited. The check number and amount, deductions, invoice number, or any other information shown on the check, are copied on to the envelope. If a separate remittance advice accompanies the check, it is stapled to the envelope. A tape is taken of the cash listed on the envelopes. This tape is verified by comparison with a tape listing the checks in the day's deposit, and then sent, with these en-

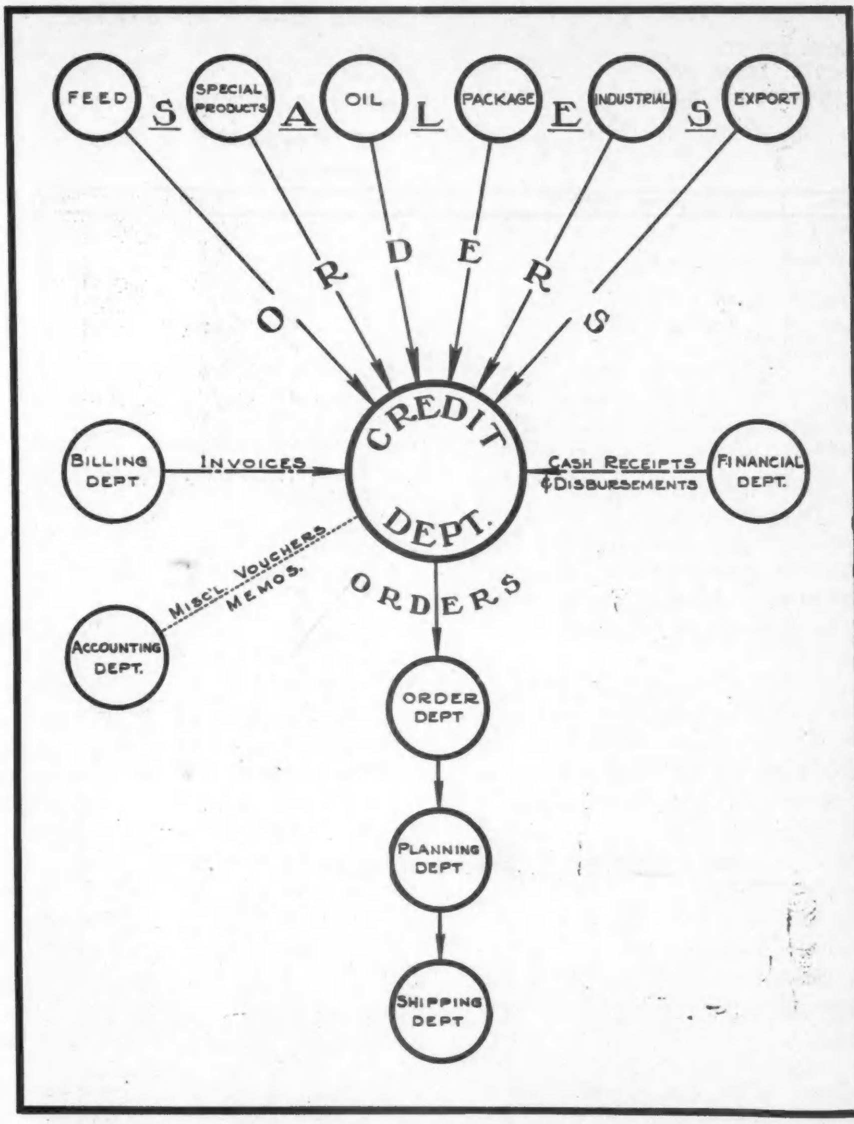
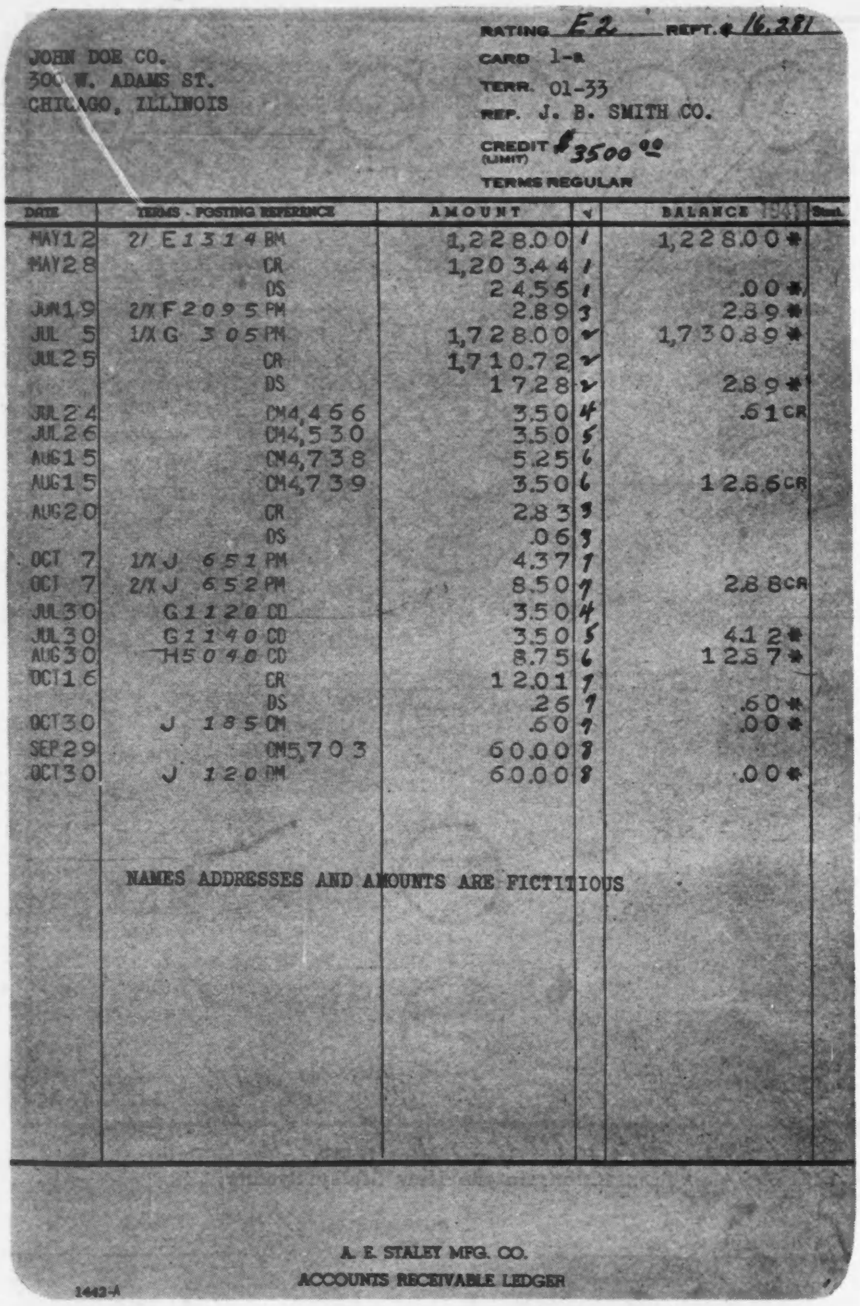


Chart Showing How Credit Department Is Made Focal Point of All Transactions in the New Staley System

Ledger Cards and Credit Files (Remington-Rand System) as Installed by Mr. Cox to Handle All Accounts Receivable. The Burroughs Automatic High Speed Posting Machine is Shown at Left.



JOHN DOE CO.
300 W. ADAMS ST.
CHICAGO, ILLINOIS

RATING E2 REPT. $ 16.281
CARD 1-a
TERR. 01-33
REP. J. B. SMITH CO.
CREDIT (LIMIT) $3500.00
TERMS REGULAR

DATE	TERMS - POSTING REFERENCE	AMOUNT	✓	BALANCE	Stmt.
MAY12	2/ E1314 BM	1,228.00	1	1,228.00 *	
MAY28	CR	1,203.44	1		
	DS	24.56	1	.00 *	
JUN19	2/X F2095 PM	2.89	3	2.89 *	
JUL 5	1/X G 305 PM	1,728.00	✓	1,730.89 *	
JUL25	CR	1,710.72	✓		
	DS	1728	✓	2.89 *	
JUL24	CM4,466	3.50	4	.61 CR	
JUL26	CM4,530	3.50	5		
AUG15	CM4,738	5.25	6		
AUG15	CM4,739	3.50	6	12.86 CR	
AUG20	CR	2.83	9		
	DS	.06	9		
OCT 7	1/X J 651 PM	4.37	7		
OCT 7	2/X J 652 PM	8.50	7	2.88 CR	
JUL30	G1120 CD	3.50	4		
JUL30	G1140 CD	3.50	5	4.12 *	
AUG30	H5040 CD	8.75	6	12.87 *	
OCT16	CR	12.01	7		
	DS	.26	7	.60 *	
OCT30	J 185 CM	.60	7	.00 *	
SEP29	CM5,703	60.00	8		
OCT30	J 120 DM	60.00	8	.00 *	

NAMES ADDRESSES AND AMOUNTS ARE FICTITIOUS

A. E. STALEY MFG. CO.
ACCOUNTS RECEIVABLE LEDGER
1443-A

New 6 x 9 inch Ledger Card Described by Mr. Cox as One of the Features of His New System

velopes, to the Credit Department.

After these envelopes, which we may now term as "cash," have been sorted in the order of our accounts, the separate items are compared directly with the individual accounts. At this point, cash discounts are allowed and notations are made of deductions not covered by credit memorandums on the account. The items paid are keyed out, deductions noted on the card, and the key figures for the cash posting entered parallel with the space where the next posting is to be. By placing the key figures on the card, prior to the posting, we literally put the cart before the horse. This procedure prevents interruption of the machine operator's time and eliminates any further review of the account after it has gone through the machine. Obviously, the cash, when mixed with the other posting media, is given priority posting by the operator.

We find that this direct, simple method of using the envelope as a posting medium for cash received is compatible to the principle of "stuffing," minimizes the possibility of errors attendant to all copy work—and Uncle Sam furnishes the postmark to settle questions of time.

OUR accounts receivable are filed geographically by states and principal cities, and alphabetically by customer in each geographic division. The ledger trays are kept on top of one section of the counter height file cabinets containing the New England states, New York State, Pennsylvania, et cetera, and to the other extremity are the Pacific Coast states and export accounts.

Our Credit files are kept in strict alphabetical order with a separate folder for each customer. This alphabetical file is a convenient cross reference to the geographic location of any customer's ledger account. The geographic arrangement provides for easy comparison of dollar volume of sales, turn over, or any other similar measurements when we wish to analyze various sections or to make routine checks of mercantile ratings. As an example—each month we make a statistical report to our management. This report is taken from an aged trial balance made on the following pattern:

1. New England and New York State.
2. Pennsylvania, Delaware, New Jersey, Maryland.
3. Southwestern and South Central States.
4. North Central States.
5. West of Mississippi River.

Other than showing the number of accounts, amounts owing, and amount of delinquency in each section, we show the rate of turn over of receivables and an average for all sections. Draft accounts are kept segregated in the ledger so that our analysis is taken from strictly open credit transactions. An analysis such as this would be impracticable if not impossible with the alphabetical arrangement.

Perhaps I have devoted an unusual amount of space to the detail and mechanics incidental to ledger posting in preference to the subject of Credits and Collections, which is of primary interest to all of us. However, the smooth operation, high flexibility, and especially the up-to-dateness of the postings are vital to proper supervision of credits and collections.

Credits

A CREDIT card showing a debt paying record in such generalities as "prompt," "fair" or "slow" always prompts us to ask "how prompt? How fair? How slow? and Since when?"

These questions (*Cont'd on p. 31*)

Law of Creditors' Rights

Methods for Forcing Collections

By **I. ARNOLD ROSS, C.P.A.**
New York City

Every business day millions of commercial transactions take place based upon the extension of credit.

The collection of the multitudinous debts created by these transactions is a colossal task and it is important that every business man should understand the rights and obligations of the parties involved. In this short article on the subject of the rights of creditors, the writer cannot, because of limitations of space, go into the minute ramifications of the principles of law which would be necessary were the article written for members of the Bar who make a specialty of the subject. It is the writer's hope that there is sufficient material here to give the ordinary business man some conception of his rights in enforcing the collection of his accounts.

In this discussion the writer will consider the entry and enforcement of a judgment; the creditor's rights in connection with fraudulent transfers; the creditor's rights in insolvency proceedings; and the creditor's participation in the rehabilitation of the debtor.

The Judgment as a Lien

ONCE a creditor's right to a judgment has been established and one has been granted by a court with the power and authority to do so, the judgment is recorded in the office of the clerk of the court. In order to become a lien upon real property, such judgment must be docketed in the office of the Clerk of the county where the judgment debtor owns real property, and it becomes a lien on the debtor's real property from the time of the docketing of the judgment in the county clerk's office. This lien is effective for ten years.[1]

A lien is created against personal property owned by the judgment debtor when an execution is issued by the judgment creditor's attorney to a marshal or sheriff directing such officer to levy upon the judgment debtor's personal property.[2]

[1] Civil Practice Act, Section 510.

Enforcement of a Judgment

A JUDGMENT may be enforced directly by the issuance of an execution to a marshal or sheriff directing such officer to levy upon the personal property belonging to the judgment debtor. If the judgment is not satisfied upon such a levy, the judgment creditor may obtain an execution upon the wages or other income of the judgment debtor to the extent of 10% thereof if the wages or income exceed $12.00 per week.[3]

The judgment creditor has the right to examine the judgment debtor concerning his assets in what are known as supplementary proceedings. The New York State Legislature in recent years has enlarged, to a great extent, the rights of the judgment creditor in such proceedings.[4] The law directs that for two years after the service of a subpoena or order in supplementary proceedings upon the debtor, he is enjoined from making any transfers of his property. This is a valuable remedy because the transfer by a debtor of property in violation of the statutory injunction constitutes a contempt of court which is punishable by fine and imprisonment and cannot be discharged in bankruptcy. The judgment creditor may also examine third parties who, there is reason to believe, have property in excess of $10.00 belonging to the judgment debtor, or who are indebted to the judgment debtor.[5] The statutory injunction applies to such third party, as well, and enjoins him from transferring to the judgment debtor, or any other person, property belonging to the judgment debtor which might be applied to the satisfaction of the judgment.[6]

[2] Civil Practice Act, Section 679.
[3] Civil Practice Act, Section 684.
[4] Civil Practice Act, Article 45.
[5] Civil Practice Act. Section 779.

In connection with the examination of the debtor or a third party the judgment creditor also has the right to examine witnesses who may have any knowledge or information concerning the assets of the judgment debtor which might be applied to the payment of the judgment.[7] The right to conduct the above mentioned examinations is a very valuable aid in discovering property which might be applied to the payment of the judgment.

Where, in an examination in supplementary proceedings, it is discovered that a third party is indebted to the judgment debtor, the judgment creditor may obtain an order of the court directing such third party to pay over to the sheriff or to the judgment creditor so much of the indebtedness as is sufficient to satisfy the judgment.[8] Any payment made by the debtor of a judgment debtor pursuant to such an order is a discharge of his indebtedness. If there is any question concerning the indebtedness to the judgment debtor, a judgment creditor may commence an action against the third party, or may have a receiver of the property of the judgment debtor commence such an action.[9]

Any time after the institution of a supplementary proceeding the judgment creditor is entitled to have appointed a receiver of the property of the judgment debtor,[10] who then is vested with all the rights of property of the judgment debtor.[11] This includes real property from the time when the order of appointment is filed with the clerk of the county where such real property is situated.

[6] Civil Practice Act, Section 781.
[7] Civil Practice Act, Section 782.
[8] Civil Practice Act, Section 794.
[9] Civil Practice Act, Section 795.
[10] Civil Practice Act, Section 804.
[11] Civil Practice Act, Section 807.

Where it appears that the judgment debtor has income with which he might satisfy the judgment, the judgment creditor may procure an order directing the judgment debtor to pay to the judgment creditor such portion of his income, either earned or otherwise acquired, after due regard for the reasonable requirements of the judgment debtor and his family, as the court may direct.[12] This is a very effective remedy. Many judgment debtors having substantial incomes from salaries or trust funds formerly were able to avoid or delay for a long time the collection of judgments against them by applying only 10% of such income to the payment of their debts under garnishment orders. The present statute permits the application of further sums above the 10% to the payment of the debtor's debts.

Fraudulent Conveyances

Many debtors,* in an effort to avoid their debts or to impede the collection of judgments against them, are wont to make transfers of their property for little or no consideration. The New York State Legislature, in 1925, adopted the Uniform Fraudulent Conveyance Act to deal with such conveyances (Article 10, Debtor and Creditor Law). Under this Article, a person is declared insolvent:

> "when the present fair saleable value of his assets is less than the amount that will be required to pay his probable liability on his existing debts as they become absolute and matured."[13]

The statute provides that:

> "Every conveyance made and every obligation incurred by a person who is or will be thereby rendered insolvent is fraudulent as to creditors without regard to his actual intent if the conveyance is made or the obligation is incurred without a fair consideration."[14]

The statute also provides that conveyances made by persons in business without fair consideration[15] and conveyances made by a person about to incur debts[16] are fraudulent as to both present and future creditors. A conveyance made with the actual intent to:

> "hinder, delay, or defraud either present or future creditors is fraudulent as to both present and future creditors."[17]

The law gives creditors who have matured or unmatured claims the right to have the fraudulent conveyance set aside or the fraudulent obligation incurred annulled to the extent necessary to satisfy their claims,[18] and certain other rights and remedies.

Insolvency Proceedings

ALL of the remedies mentioned in the foregoing paragraphs have dealt with the rights of individual creditors to reach the assets of debtors. When the debtor is insolvent, his property, if liquidated, must be distributed ratably to all of his creditors, bearing in mind their respective priorities. He may therefore take steps to apply all of his assets to the payment of all of his debts, or some of his creditors may commence proceedings against him toward such end.

The proceedings which may be taken by a debtor are three-fold. He may transfer his assets by a common law deed of trust to a trustee to be liquidated by the latter and the proceeds to be paid over to the creditors ratably; he may make a general assignment for the benefit of creditors under the New York State Debtor and Creditor Law, in which case the New York Supreme Court supervises in a general way the administration of the "estate;"[19] or he may file a petition in bankruptcy in the Federal Court and place control over the proceedings in the local United States District Court.[20] The "estate" consists of all of the assets of the insolvent debtor which are turned over to the common law trustee, to the assignee, or to a receiver or trustee in bankruptcy, as the case may be. In all of these insolvency proceedings all creditors may file claims against the insolvent debtor and when the assets have been marshalled and liquidated, the proceeds are applied to the payment of all the debtor's debts ratably. The same is true in involuntary bankruptcy proceedings where creditors of an insolvent debtor file a petition in the Federal Court and have such debtor adjudicated a bankrupt.

From the New York Angle—

This article was prepared by Mr. Ross for members of the New York Society of Certified Public Accountants and was first published in the monthly Bulletin of that organization. However Credit Executives in other sections will find helpful suggestions for their own collection procedure from the ideas presented by Mr. Ross.

Common Law Deed of Trust

A DEBTOR has the right to transfer his assets to a trustee to be liquidated by the trustee and the proceeds paid over to his creditors. This may be done outside of court and depends for its effectiveness upon the unanimous consent of all the creditors. A creditor who refuses to accept payment may nevertheless proceed against the debtor to collect the full amount of his claim. This form of liquidation is sometimes used in the case of a small debtor with few assets and few creditors where the administration expenses of a court proceeding either in the State courts, under the Debtor and Creditor Law, or in the Federal bankruptcy courts, would dissipate all the assets.

Bankruptcy

AN insolvent debtor has the right to file a petition in the United States District Court to have himself adjudicated bankrupt and have all of his remaining assets, if any, taken into custody of the Court and through the machinery of the bankruptcy court distributed among his creditors.[20] If he has been truthful in his petition and has been cooperative in the administration of his "estate," has not committed any frauds upon his creditors, and has not destroyed his books, if he had any, the bankrupt is entitled to be discharged of all the debts which he owed at the time he filed his petition.[21]

Creditors of an insolvent debtor have the right to file a petition in the United States District Court to have such debtor adjudicated a bankrupt

[12] Civil Practice Act, Section 793.
[13] Debtor and Creditor Law, Section 271.
[14] Debtor and Creditor Law, Section 273.
[15] Debtor and Creditor Law, Section 274.
[16] Debtor and Creditor Law, Section 275.
[17] Debtor and Creditor Law, Section 276.
[18] Debtor and Creditor Law, Sections 278 and 279.
[19] Debtor and Creditor Law, Article 2.
[20] 11 U. S. C., Section 22.
[21] 11 U. S. C., Section 32.

and to have the assets in question taken into custody of the court for liquidation and distribution.[20] In order to be entitled to file such an involuntary petition three or more creditors must join where there are twelve or more creditors of the debtor.[22] The claims of the petitioning creditors must amount to at least $500.00. If there are less than twelve creditors in all, a single creditor to whom the debtor is indebted in the sum of at least $500.00 may file such a petition against the debtor. It must be remembered that the debtor may not be petitioned in bankruptcy merely by reason of his insolvency. Certain "acts of bankruptcy" are required to have been committed by the insolvent debtor in order to permit his creditors to file such a petition. The Bankruptcy Act defines these "acts of bankruptcy" as follows:

> "Acts of bankruptcy by a person shall consist of his having (1) conveyed, transferred, concealed, removed, or permitted to be concealed or removed any part of his property, with intent to hinder, delay or defraud his creditors or any of them; or (2) transferred, while insolvent, any portion of his property to one or more of his creditors with intent to prefer such creditor over his other creditors; or (3) suffered or permitted, while insolvent, any creditor to obtain a lien upon any of his property through legal proceedings and not having vacated or discharged such lien within thirty days from the date thereof or at least five days before the date set for any sale or other disposition of such property; or (4) made a general assignment for the benefit of his creditors; or (5) while insolvent or unable to pay his debts as they mature, procured, permitted, or suffered voluntarily or involuntarily the appointment of a receiver or trustee to take charge of his property; or (6) admitted in writing his inability to pay his debts and his willingness to be adjudged a bankrupt." (11 U. S. C., Sec. 21).

One of the main reasons why creditors file petitions in bankruptcy against debtors is to take steps to set aside preferences made by the bankrupt to creditors within four months of the filing of the petition.[23] The Trustee in Bankruptcy may not only proceed to set such transfers aside, but, availing himself of Sections 67 and 70 of the Bankruptcy Act,[24] may undertake proceedings to set aside fraudulent conveyances. The Trustee has all of the powers that any creditor or group of creditors may have in bringing back to the bankrupt's estate any property dissipated prior thereto.[25] Such a petition must be filed within four months after the commission of the act of bankruptcy. The debtor is entitled to a discharge of his debts in involuntary bankruptcy the same as in a voluntary proceeding.

[22] 11 U. S. C., Section 95 b.

Chandler Act

THERE were added, recently, to the bankruptcy statutes two chapters which deal with the reorganization of the affairs of a bankrupt. These are known as Chapters 10 and 11 of the "Chandler Act." Under Chapter 10 a corporation may apply to the Federal Court for a reorganization of its affairs.[26] This involves a *complete* reorganization and readjustment of its capital and other assets under the jurisdiction of the Federal Court. If the liabilities of such a corporation exceed $250,000.00 the Court must appoint a Trustee to take over the assets of the corporation during the pendency of the proceedings. Under Chapter 11 the debtor, whether a corporation, partnership or individual, may apply to the Court for confirmation of a plan of arrangement whereby the debtor may reduce the amount payable and get additional time to pay.[27] The Court will confirm such a plan if it finds that it is fair and equitable to the various classes of creditors. Debtors who have filed petitions in bankruptcy voluntarily, or against whom petitions in involuntary bankruptcy have been filed, have the right to apply for relief under the reorganization statutes of the Chandler Act. If in such cases the applications for reorganization are rejected the ordinary bankruptcy proceeds as though the applications had never been made. Upon approval of the plans, the debtor's obligations are limited to the extent that the Court has approved the plan.

Consigned Goods and Reclamation Proceedings

CREDITORS sometimes find it expeditious to deliver goods to their customers "on consignment," intending thereby to retain title to the goods in themselves, so that in the cases of the debtor's insolvency the creditors may reclaim their goods and thereby save themselves from loss by reason of the debtor's insolvency. However, it is important to remember in this respect that merely labelling a transaction as a delivery on consignment does not make it so where the intention of the parties really is for a sale of the goods to the debtor and the transfer of the title to the debtor. If a transaction labelled as a consignment is in fact a sale, the creditor cannot reclaim the goods on the debtor's insolvency for the goods belong to the debtor and become part of his estate which is distributable to all creditors ratably.

[23] 11 U. S. C., Sections 96 a and 96 b.
[24] 11 U. S. C., Sections 107 and 110.
[25] 11 U. S. C., Section 110 e.
[26] 11 U. S. C., Sections 501-676 inclusive.

Goods actually delivered to a debtor on consignment and all other property which may be found on the premises occupied by the bankrupt but which in fact belong to third parties, may be reclaimed by them in appropriate proceedings in the bankruptcy court known as "reclamation proceedings."

Bulk Sales

UNDER the New York State Personal Property Law a debtor has the right to sell all or a part of his assets in bulk only upon complying with certain requirements[28];

Notice must be given to all of the creditors of the seller by registered mail at least ten days prior to the date of the proposed sale and an inventory must be delivered by the seller to the proposed purchaser showing in detail the goods sold and their cost. The purchaser must retain this inventory for at least 90 days after the date of sale and all creditors have the right to examine the inventory. If no adequate notice is given to creditors or if the inventory is not delivered as required, the purchaser may be declared to be the Trustee of the goods for the benefit of all creditors of the seller. If a proposed bulk sale will render the seller insolvent, creditors, of course, have the remedy mentioned above to treat the proposed sale as a fraudulent conveyance and to take steps accordingly to protect their rights.

It is the writer's hope that the foregoing has served to give some little enlightenment to the reader concerning the rights of a creditor in the collection of debts owing him.

[27] 11 U. S. C., Sections 701-799 inclusive.
[28] Personal Property Law, Section 44.

Does Educational Preparation Pay?

The Answer Is Yes in Credit Work

By **DAVID F. COCKS,**

Secretary, Standard Oil Co. of Kentucky, Louisville

What is education? Webster says "exercise or practice to gain skill." As a man or woman it is your desire to secure preferment in the position which you occupy. It is your desire to advance in the good opinion of those who employ you. It is your desire to occupy positions of trust and to have confidence reposed in you. It may be your desire to occupy positions now filled by those who are older than you are to the end that you may reap a larger reward in money and prominence than the position which you now fill.

There is only one way by which you can acquire this confidence and these advanced positions. There is only one way by which you will make yourself so valuable that those higher in authority than yourself will look upon you as the proper person for advancement. There can be no real progress in the life of any man or woman without performance, and that performance must be in consonance with established practices. Established practices demand truth, honesty, hard work, application and ability to make decisions that are in the interest of the institution that makes it possible for you to advance.

The youth of the land today is clouded with the thought that penalization is not necessary. That one should not undergo a period of preparation. That jobs are to be had for the asking; and that important positions are to be given without a knowledge as to ability to occupy these positions with credit to the person holding them and benefit to the house which employs them.

The same conditions prevail today and will prevail forever that prevailed in the beginning. Men are known by what they do; how they act; and what they stand for. Men are known by their aggressive spirit, their fearlessness and the truth that is in them. There is no such thing as 100% perfection in anything except nature. Success only comes after men and women know what you stand for. It comes only to those who are worthy and well qualified and deserving.

There are a few things which we know and on which, I believe, we can agree. We know, for instance, that ignorance does not pay a reward. We know it is the weak links in the chain that endanger the chain — not the strong ones. We know that pitying an unfortunate individual is no salvation to that unfortunate person. We know character can not be bought nor legislated, and yet character is the only foundation upon which success can stand.

As to Our Happiness

WE know we are all made happy by wealth that is created and I believe you know that we have never yet created enough happiness nor wealth in this or any other day. We know that wealth originally exists in only two forms: in raw materials in the ground and in the intellects with which we are endowed.

I do not know what your faith is and I am not interested for the moment. I believe that God made this country and He made no mistakes. I believe He made each of you and I believe the Creator made no mistakes. I think He made everybody else in this world and I think He made no mistakes. He made the plan and science and truth and I still think He made no mistakes and I claim if He could make a mistake, you are not big enough to change it anyway, nor can any group of men nor any school of thought, nor magazine, nor government; I do not care whether you go to Park Avenue, some schools, some churches, some labor halls or Congress, you find a feeling that there has been a gigantic mistake made, and it is up to us to change it all. Take my belief for a few minutes that there is nothing wrong with the whole set-up; it is the way God intended it to be.

The first law of life is struggle. The first thing the Creator does to every individual is to create him in ignorance. There never was a newborn baby that knew anything. Next He surrounds the individual with a handicap or trouble or problem, and then your great Creator endows that baby with a thing called "Intelligence" and challenges, "What are you going to do with it?" We all have a handicap and that is our opportunity in life. That is the way God gives opportunity and He has never failed.

Handicap of the Rich

WHAT about a boy who is born in the home of rich parents who are indulgent and give him everything? That is the worst handicap anyone has to overcome, in my mind. I have seen them come without eyes and hands, with a hump on their backs, every kind of thing from disreputable, dissipated fathers. from diseased mothers, everything you can think of—come right to the top, and history says that they frequently succeed in the very thing in which they were born weakest. A homely illustration being that Demosthenes could not talk plainly enough for his mother to understand him, he became the world's greatest orator.

There is nothing wrong with this principle of struggle, except some one says, "I am smart; I can get around it." You cannot, for as you take the problem which your Creator gave you and then by using the brains that He gave you (or intelligence) to solve the problem, you become God-like, and there is no other way. In doing that you are building character, the only foundation on which you can stand.

Babe Ruth was asked: "How did you become such a great baseball player?" He answered: "By hitting

the ball." His coach said "Constant practice."

Bobby Jones was asked: "What makes you such a great golfer?" He said: "I keep my eye on the ball." Stewart Maiden, his professional instructor said: "Many, many hours of practice."

Coach Bob Zuppke of Illinois tells in three words how to be a good football player. Zuppke says "Follow the ball."

Edison is the great name in electricity and everyone who has studied, if only briefly, the life of Edison knows of the many hours of toil, practice, if you please, he devoted to his idea. He had an idea, he kept at at, "hitting the ball." He watched it develop in use and in service "kept his eye on the ball" and he kept everlastingly at it. He was "following the ball."

Henry Ford, Walter P. Chrysler, Sr., were mere mechanics when they began.

Improving Mental Processes

IN our work we use our minds and only by constant practice and continual effort can we improve on our thought provoking impulses. In "hitting the ball" Babe Ruth became a great baseball player. If we are going to have good minds, by constant thought, study, (training, if you please) we develop them, for our minds are like our fingers. If we use them and train them to a particular technique we become proficient. The greatest effort of man, according to Ripley, Believe it or Not, is thinking. It is difficult to think long at a time, try it and see how your mind wanders from golf, to fishing, to football, to movies and what have you.

How often have you heard the expression "Well the breaks were against me" or, in the parlance of the street "he was behind the eight-ball" that is brought up as a justification for failure. Then, when a companion, or an acquaintance or a friend gets a promotion and you fail to secure one, your mind reverts to the time worn statement: "Well, he got the breaks" or you are one of those who "never had a chance."

Are you among those who are continually overlooked when it comes to promotion or betterment in pay? The W. P. A. and the relief rolls are literally chocked with men and women of this type. They either will not learn nor benefit from experience or they will not recognize the fact that opportunity is a stern task master.

Budget Leisure Time

YOU are primarily interested in credits. You and I, like most everyone else who must work for a living, spend most of our daylight hours doing the particular task that is before us and if we are doing a good job we are too busy thinking about it to improve our minds in our particular type of work. Therefore we must learn to budget our leisure hours, particularly for play and particularly for study if we intend to improve ourselves. If we stop learning when we stop going to school, we shall never be very wise. The man or woman who continues to gain knowledge all through life has learned one of the secrets of success.

All of us know that if we want "something good," if we desire promotion or are anxious for achievement, the penalty is exacting for we don't get it for the mere asking. It does not come to us without effort; it isn't something you can pick off the tree nor is it an object that is handed to you without certain definite things that make it possible to secure.

The penalty or penalties you must pay for promotion, exaltment and betterment in position of any kind extend over a life time. There is no stopping at the crossroads. One must constantly make good to be recognized as a man worthy of the good things in life. Carelessness, stupidity, inattention, a "don't care attitude" spell loss of reputation, loss of position, loss of distinction and loss of everything the average man regards as desirable in life. Life itself means work. To live decently means labor. To have in your possession any one thing of value means penalization. To acquire any position of worthiness means hardship and we get no place in life without exacting from our body certain definite things that are necessary to secure the things we want. The "breaks" in life are soon forgotten unless we perform. The mainspring of all achievement is *you.* Your will to do is the control of your destiny. If you lack energy, if your potency is devoted to channels that sink you to the class of the unwanted, the chances are you are 99% to blame.

ONLY the things we do and experience are the things we know. All the rest we just know about. Does educational preparation pay? Did it pay Paderewski to train his fingers to be the greatest pianist of his time. It was an achievement in his field of endeavor and as he trained his fingers you and I can train our minds in our particular field of endeavor.

Experience is the only lamp by which we can guide our feet. There is a biblical injunction: "Wisdom is the principal thing, therefore get wisdom and with all thy getting get understanding."

If Babe Ruth, Bobby Jones played baseball and golf in the backyard and no one knew anything about it, would they receive the plaudits of the multitudes? If Paderewski played the piano in his rooms, would he have become a renowned pianist?

Getting knowledge, acquiring proficiency in themselves are not enough alone. After these things are acquired, then we must not only learn how to use the knowledge and the proficiency that is ours, but we must learn how to tell others of it, and we do this through a display in our work, in our actions, with those and among those about us in our work and in our play.

With all our work, study, preparation, patience, perseverance, we need Faith—Faith in God and in one's fellow man. Faith that good is stronger than evil and that right will triumph over wrong. Faith is the light shining in the long dark night. It is the fire burning in the jungle of uncertainty.

We should do our best today, not dream of tomorrow or mourn of the past, do the duties that call us today and march forward.

A Definite Collection Policy

Importance of a Systemized Routine

By **WALTER N. KUNTZ, JR.**
Southwestern Drug Co., and National Director, NACM, Waco, Texas

First—is the item of discount. Cash discount to be allowed on semi-monthly or monthly statements up to ten days after receipt of statement. It is recommended that the period of grace for the allowance of discount not exceed five days. Cash discount is to be allowed on current statement but no discount should be allowed on past due balances.

There has been a growing tendency in some sections of the country on the part of some credit men, to hold out discount to a customer after the discount date has passed, in an effort to effect collection.

Another item that has to do with collection policy is the interest charged on notes and accounts. Wholesale druggists engaged in the sale of equipment have a general rate of interest of 6%, while the rate of interest on merchandise notes is generally recommended to be 8%, as well as an interest charge of this amount on all merchandise account balances which are beyond maturity. Under no circumstances should the rate of interest be changed once a note has been drawn. Occasionally, in the hope of securing increased patronage, we find a credit executive who will reduce the rate of interest on a note to a customer. Needless to say, this practice is a bad one.

Beware of Compromise Offers

NOW with reference to a compromise settlement: There has been a growing tendency on the part of debtors in the retail drug business who are substantially involved, to offer creditors a cash settlement based on some arbitrary figure, say 20c on the dollar. It is recommended as good practice to request a signed financial statement from any debtor who approaches a creditor with this kind of offer and that a decision to accept the compromise settlement offered be based on the actual ratio of assets to liabilities as shown on the statement. In other words, if a debtor's statement shows that he can easily pay 50c on the dollar, it is unreasonable to ask or expect a creditor to accept 20c on the dollar.

Now with reference to credit information exchange: The courtesy of exchanging credit information should be regarded as confidential and under no circumstances should the information which reaches the credit desk be transferred to the Sales Manager. The credit desk is not a place for sales competition.

Normally, a collection policy is designed to get the money and at the same time, retain the good will of the customer. To accomplish this a supplier must be in position to cooperate intelligently and in a sound constructive way with the customer. This requires some understanding at least, of the customer's problems.

Now let's assume that you are urging a customer to bring a delinquent account into a current condition. You are in effect, asking that customer to pay for something in addition to simply taking care of replacements for that month. You are asking him to pay a debt that was created in the past and not paid because of any one of a variety of reasons. (I will not take time to go into detail on that phase of this discussion because I am sure that all of you are familiar with the usual run of excuses.)

How to Get the Cash

LET'S stop and analyze this situation now. Where is the customer going to get the money? You may take the position that this is his problem and you are right—but if he does not pay, then it soon becomes your problem, too. Payment on past due accounts by the average retail operator must come from one of only five sources. The first source, which is usually the most desirable, is from earnings. For there to be earnings in a retail druggist's operation, there must be some semblance of an expense control.

Another source which may be used to reduce obligations is a "reduction in inventory." Buying control is, of course, necessary to release operating capital from this source. If the inventory carried is heavy, then the liquidation of excess stock would not have a detrimental reaction, but if the druggist is operating on a light stock of merchandise, a deduction in his inventory investment may leave him with an insufficient supply of merchandise to maintain the volume necessary to take care of operating expenses.

A retail druggist may also acquire funds to apply on obligations through a reduction in accounts receivable. An accounts receivable control is necessary to make this accomplishment.

The fourth source of funds for payment on obligations is, of course, "New Capital" brought into the business as a result of a capital financing loan of some kind. Records reflecting the position of the business are

necessary as a basis for negotiating a loan.

Borrow from Peter to Pay Paul

ANOTHER procedure is sometimes practiced by operators seeking to satisfy all creditors, at least temporarily, and this is the setup whereby one creditor is ridden to pay another. This kind of situation is pretty accurately described by Isaac Watts in his verse: "So when a raging fever burns, we shift from side to side by turns; and 'tis a poor relief we gain, to change the place but not the pain."

Do you know from which of these five sources mentioned your payments come? Is it the first one or is it the last one mentioned? It makes a lot of difference when you consider whether or not you will be selling that customer next year. Let's take this thought a step further—does your customer himself know? Does he keep sufficient records to enable him to find out? Let's look at the record.

Judge J. W. Cocke, Referee in Bankruptcy, in an address to the Waco Wholesale Credit Men's Association under date of March 13, 1941, made the following statement: "Recent Federal surveys have shown that one of the great contributing causes of bankruptcy is the fact that proper bookkeeping records were not kept. The bankrupt did not know that he was in bad financial shape until it was too late to correct the situation. There are also cases where the bankrupt did keep records, but he neglected or he did not understand how to read and interpret the figures so as to know how and where the business was going."

Now let's see whether or not this statement applies to the drug business. The following facts were provided by the Harvard Bureau of Statistics, with the cooperation of the Eli Lilly & Company, and are certainly significant to those genuinely interested in the welfare of the drug business. According to this survey —"The leading cause for insolvency in the retail drug business during the year 1939 was failure to keep proper records."

Lack of Business Records

NOW let's stop and analyze this statement. Looking at this fact from the credit desk, wouldn't another way to say this same thing be: "The leading cause for credit losses in the wholesale drug business during the year 1939 was failure on the part of our customers to keep proper records.

"Statistics show that drug stores as a whole rank low in the efficiency of their business records." This certainly is an indictment of the service wholesaler. Through the intelligent efforts of the N. W. D. A., retail drug stores have forged ahead in their merchandising programs, and the retail drug industry probably leads all other business groups in its progress in the sales department. In the mad scramble for sales, the efficiency of their accounting records has been neglected. We, of course, recognize the importance of sales and believe that it is the life's blood of any business, but just as surely as this is true, we also believe that accounting records are the arteries through which the blood flows and a faulty circulatory system will result in a good deal of wasted sales effort and in net losses.

Another significant fact brought out by the survey is that each year since 1929, it has become increasingly difficult for the average independent retail druggist to realize a normal profit in his operations. This trend appears to be continuing. Gross profits are becoming lower and operating expenses are rising. Now these facts are fundamental and indicate that an operator must know more about his business and have this information at more frequent intervals than ever before if he is to survive—for to be successful, a business must be profitable.

Must Help Retailers

APPARENTLY, the future holds less and less opportunity for the individual in business who lacks the knowledge of economic principles and who fails to appreciate the importance of adequate and accurate accounting records. This is no theory but a condition which confronts us and it is a condition which the service wholesalers of the nation are going to have to help the independent retail operator meet. We must measure up to our responsibility of being a real, stabilizing factor in the drug industry. To do anything less would be to betray the confidence that reposes in us.

Now it has been said that the difference between a wholesale druggist and a retail druggist is that when conditions change, the wholesaler adjusts his operating expense to meet the problem—but as a general rule, the retailer does not. But he is going to have to learn how to do that and to do it early enough to avoid trouble.

It strikes me that we are now entering upon a period when we as credit executives are going to be in a position to contribute more to the well being of our industry than ever before. We are going to have to prepare ourselves to meet problems soon to come and to meet them in an intelligent and constructive way. If we fail, the consequences will be disastrous. Let's bear in mind in working with our customers in the future, to let our efforts be remedial. To do this we are going to have to have facts pertaining to his operations. The wholesaler and retailer must work together closer than ever before. The objects to be gained are well worth a large expenditure of time, thought, patience, and the persistent use of that great necessity which speaks of itself in the following terms:

"I am the foundation of all true prosperity. Everything that is of value in this world springs from me.
I am the salt that gives life its savor.
I am the sole support of the poor, and the rich who think that they can do without me, live futile lives and fill premature graves.
I have made America. I have built her matchless industries, laid her incomparable railroads, created her cities, and reared her skyscrapers.
I am the friend of every worthy youth. If he makes my acquaintance when he is young and keeps me by his side throughout his life, I can do more for him than the richest parent.
I keep bodies lean and fit, minds alert, and when I am neglected, both bodies and minds grow fat and sluggish.
I am represented in every paper that flies from the press, in every loaf of bread that springs from the oven, in every train that crosses the continent, and in every ship that steams the ocean. Fools hate me, wise men love me. The man who keeps his hand in mine throughout his life, never dies—because that which he has created with my help lives on after he has gone. The man who shirks me and scorns my aid never lives.
Who am I? What am I? I AM WORK!"

Analyze Customers Operations

WE maintain a service in our organization without charge to customers, which provides for a monthly analysis of a customer's operations. Each (*Cont'd on p. 38*)

Are Post-Dated Checks Necessary?

A Timely Discussion of a Growing Evil

By GEORGE E. RILLING,
Assistant to the Auditor, E. R. Squibb & Sons, Brooklyn, N. Y.

The practice of dating checks in advance of the date on which they are drawn has become rather common in many lines of business, and as a result credit men are confronted with a serious problem in the formulation of their credit policies.

Although it is generally conceded that the use of post-dated checks is an unsound business practice in most cases, nevertheless there comes a time in the life of every credit man when he must make a decision as to whether his firm should accept or reject the tender of a dated check in settlement of a past due account or in payment of a new order.

To many credit executives the acceptance of dated checks has already become a necessary evil in transacting their business; to some the problem has not yet presented itself, while to others it has come and been conquered. In any event the subject deserves serious consideration.

Why Debtors Post-Date Checks!

FIRST of all the question naturally arises as to why debtors should want to resort to the practice of dating checks ahead, and the more significant reasons are:

To get a temporary respite from the collection pressure of an anxious creditor who is insisting upon a definite committment in the settlement of a past due bill. It is sometimes an easy way to put a stop to frequent telephone calls and numerous collection letters.

To obtain a shipment of merchandise which would otherwise be held up by the creditor.

To take advantage of the extra time involved and use current funds for some other purpose.

To substantiate or give tangible evidence of a promise to pay.

To pay off creditors in accordance with a predetermined schedule of payments—a budget system.

SINCE many credit men feel that the use of dated checks constitutes an unsound business practice, they therefore refuse to accept them at any time. Other credit men, however, believe that checks dated in advance are satisfactory, or are at least a necessary evil, in the collection of overdue accounts, and justify their position by giving the following reasons:

A dated check is a definite committment and removes, to some extent, the uncertainty of date of payment.

A debtor is more apt to keep a promise made in writing. All too often a verbal promise does not materialize in the expected time.

Experience has shown that in a high percentage of cases, dated checks have been paid on the date of maturity.

Makers of dated checks ordinarily give preference to those checks in the disposition of available funds.

Some creditors contend that they are obliged to accept them because competitors encourage the practice.

A debtor usually makes a special effort to meet a dated check in order to protect his credit reputation.

House policy may require some material evidence of willingness to pay in order to justify further shipments of merchandise.

What's Wrong With Post Dated Checks?

A DATED check is merely a promise reduced to writing and as such may be given indiscriminately. It is comparatively easy for the drawer to stop payment at his bank if the expected funds do not materialize in time. In dating a check, the debtor is mortgaging future sales which may or may not be realized. Sooner or later, he will be placed in an embarrassing position because circumstances beyond his control, such as sickness, strikes, bad weather, or taxes, may cause him to be short of funds at any given time. In brief, dating checks is a hazardous undertaking for the drawer and may result in serious injury to his credit reputation.

These dated checks also present a bookkeeping problem to the maker. One of the easiest ways for an individual to get his bank balance mixed up is to date checks beyond the end of a particular month. No regular accounting entry can be made at the time the check is drawn, although the serial number must be accounted for in the monthly reconciliation of the bank statement. The amount must, therefore, be noted on a memorandum basis only, because the purpose for which the check is dated is to leave the present bank balance undisturbed.

However, should the amount be deducted from the check book balance immediately, that balance becomes fictitious, and the resultant confusion may be the cause of a subsequent overdraft. Whenever a memorandum entry is made, a dual cash control must be set up because the debtor can't afford to have his credit reputation injured by the return of checks marked "N. S. F." In addition to the extra bookkeeping expense and the possible confusion in bank balances, further difficulty may be encountered in the reconciliation of creditor's statement balances because of the dated checks outstanding. Sometimes duplicate payments are made.

The credit man, too, has his practical problems by accepting dated checks because the account receivable cannot be considered liquidated until the check is actually paid. A bank will not accept the check for deposit before its date, so that the form of the account receivable remains unchanged. Receipt of the check must be noted in memorandum on the customer's account as a matter of record and for the benefit of the collection follow up procedure. This involves extra time and added expense for the creditor, and the situation is further aggravated when

the debtor, on the date of payment, requests that the check be withheld from deposit until a later date.

In brief, there is "plenty wrong" with post-dated checks.

Legal Aspects

THE Uniform Negotiable Instruments Law defines a check as "a bill of exchange drawn on a bank, payable on demand," and contemplates payment out of a fund which is in existence at the date the instrument is created. Consequently a post-dated check is not a check in this sense, and becomes nothing more or less than an extension of credit having the import of a time bill of exchange.

This technicality is significant in those cases in which a post-dated check is returned for insufficient funds, because the courts have from time to time made a distinction in their interpretation of the bad check laws of the various states. The weight of authority indicates that the giving of a post-dated check is a mere order to pay at a future date and does not carry with it the implication that funds are on deposit at the date of its inception. It makes a difference, too, whether the check is drawn in payment of a preexisting debt or in payment of an order of goods for present delivery.

There is nothing "per se" which makes the drawing of a post-dated check illegal. It is a valid instrument whose negotiability is in no way impaired by the fact that it is dated in the future. It conforms to the requirements of the Negotiable Instruments Act that an instrument be payable "on demand or at a fixed or determinable future date." When the check is presented for payment on the specified date or a reasonable time thereafter, a bank will presume that it was drawn on the date which it bears. The drawee bank has no authority to pay the check in advance of its date, although the check may be negotiated prior to that time. Consequently, it is within the realm of possibility that a payee might endorse and discount the check at his bank, although the practical effect is that of a loan or advance on the basis of the payee's own reputation.

What's the Answer?

IN general the disadvantages of dated checks far outweigh the advantages to both debtor and creditor. Good business policy and practice would prohibit the use of post-dated checks because the drawer is anticipating or gambling on events which may not come to pass, and is subscribing to a bad habit which will eventually prove a source of embarrassment. The creditor who encourages the practice is merely sowing the seeds of a crop of future headaches and bad-debt write offs.

Nevertheless, the evil is upon us in many lines of business and, as a practical matter, credit men have found it advisable to accept post-dated checks in payment of past due accounts. They recognize that a considerable volume of business can be transacted with those borderline cases which resort to the practice of dating checks. If those marginal risks are worth carrying, then the dated checks which go with them must be worth the worry and expense.

The answer, then, to this question of "Are Post-Dated Checks a Necessary Evil?" is that in some cases they are; in others, they need never be! But in all cases a program should be adopted by credit men to discourage or prevent the widespread use of the dated check idea. With that attitude in mind, credit executives should, in my opinion, approach the problem with the determination to:

1. Discourage the practice as much as possible by explaining to the debtor at every opportunity the hazards involved.
2. Discuss possible solutions to the problem with fellow members in trade associations and credit groups with a view toward concerted action.
3. Treat each case individually and clamp down on those accounts which ask for later deposit dates on checks already post-dated.
4. Make an "N. S. F." post-dated check the last one to be accepted from any one customer.

Defense Work Requires That Fire Extinguishers Be Kept Fit

First-aid fire protection becomes vastly more important under civilian defense than it ever has been in the past. In any stage of the emergency, whether planning protection against fire from ordinary causes, from sabotage, or from invasion, it is vital that portable equipment, designed for striking at the incipient fire, be in proper working condition.

As the nation focuses its attention on fire safety to conserve national resources, it is only good judgment to inspect and recharge fire extinguishers. Given normal care, they will render many years of good service.

Particular attention should be given to the 2½-gallon extinguishers that are pressure containers, the soda-acid and foam types. For maximum efficiency, they must be properly charged. The following rules for doing this work apply to extinguishers approved by the Underwriters' Laboratories, Inc.

Charging Operations

INSPECT the extinguisher before emptying the old charge. Look for these things: clogged nozzle; distortion from a blow or fall; evidence that seams have been resoldered. If any of these conditions exist, do not invert the extinguisher and empty it through the hose. Unscrew the cap carefully, remove the cage and acid bottle or foam inner container and dump out the liquid contents of the shell.

The same precautions should be taken if it is suspected that the extinguisher has been frozen.

Do not attempt to correct distortion or to solder seams. Send the unit to the manufacturer who will make the necessary repairs and submit the unit to a pressure test before returning it to you, or will advise you that repairs are inadvisable.

If the extinguisher appears to be in working condition, it may be discharged in the normal manner by inverting it. At this time give persons an opportunity to become familiar with the "feel" of an extinguisher by emptying the old charge on a practice fire if possible.

After the extinguisher has been emptied, make certain all the liquid contents have been discharged, and allow a brief interval before unscrewing the cap for residual gas to escape through the nozzle. Some extinguishers have vent holes drilled through the cap so that after a thread or so is turned, in (*Cont'd on p. 27*)

Commercial Credit Analysis . . . VIII

Bad Debt Losses and Reserves

By **EDWARD F. GEE,**

Assistant Cashier, State-Planters Bank and Trust Co., Richmond, Va.

It is an obviously logical analytical process to review the bad debt losses of a business over a period of years as a means of appraising the soundness of its credit and collection policies.

Bad debt charge-offs attest in a factual manner to the judicious extension of credit and, by the same token, reflect on the realizability of the receivables shown in the balance sheet at any given date. They represent the extent of the average deficiency that has been experienced in the past in the conversion of receivables to cash and thus forecast to some extent the probable experience of the future.

By relating charge-offs to the credit sales of a period, we are able to make significant comparisons of the relative efficiency of credit management not only between periods in the same company but between different units in the same line of business. We are also able to establish what we might call the "normal loss incidence" of a given industry and hence come to recognize the differences that may ordinarily be expected to exist in the loss experience of varying industries.

Normal Loss Incidence

IT IS more or less of a truism that the extension of business credit under ordinary conditions and in a volume of any consequence will be inevitably accompanied by bad debt losses. The extent of these losses is likely to vary according to (1) the functional character of the business organization, (2) the trade or industry, and (3) perhaps most important of all, the fundamental soundness of the credit policies employed. Irrespective of the influence of these factors, however, we may expect to find bad debt losses in some degree in every business enterprise operating under normal credit conditions. This is what we mean when we refer to the "normal loss incidence" of a business or of an industry.

We have strong support for our statement that bad debt losses are likely to vary according to the functional organization of the business enterprise. The First Annual National Bad Debt Loss Survey, conducted by the Marketing Research Division of the United States Bureau of Foreign and Domestic Commerce in cooperation with the National Association of Credit Men, discloses that bad debt losses sustained in 1938 by slightly more than 2,400 wholesalers located throughout the United States averaged 0.37% of their total credit sales, comparing with a loss ratio of only 0.20% for the 1,600 manufacturers surveyed in the same study. Both relationships were slightly higher than for the preceding year but the difference between the two was fully maintained with the 1937 average being 0.35% for wholesalers and 0.18% for manufacturers.

A review of the actual number of accounts written off also showed a higher proportion for wholesalers, according to the survey, with wholesalers writing off 3.19% of the average number of accounts on their books during 1938, comparing with a ratio of only 2.15% for manufacturers. In the preceding year, the averages had been 3.12% for wholesalers and 2.16% for manufacturers.

Inasmuch as the survey did not cover the experience of retailers, we do not have the same authoritative estimate of retail losses. It seems reasonable to suppose, however, that loss ratios are even higher among retailers than wholesalers. As a class, they perhaps put less emphasis on credit investigation, sell on more lenient terms, and because of smaller average size are apt to lack the personnel and facilities necessary to maximum credit efficiency.

The survey also reveals that there is a wide variation between the loss experience of concerns engaged in different lines of business. Among wholesalers, for instance, it was found that those trades handling durable goods appeared to have the highest proportionate losses while at the other extreme were found those handling non-durable consumption goods. Wholesalers of machinery, equipment and supplies (except electrical), as an example of the former group, had the highest loss ratio of all during 1938 with 0.81%, closely followed by wholesalers of jewelry and optical goods with 0.79%, and wholesalers of leather and shoe findings with 0.78%. Coal wholesalers, handling consumption goods, reported the lowest loss proportion among all wholesalers with only 0.05%, while wholesalers of meats and meat products were next in line with losses equal to 0.14% of their total credit sales. These figures seem to indicate a definite correlation between the extent of bad debt losses and the type of product handled.

Since the durable goods industries with the high loss ratios are typically long term trades and since a relatively rapid account turnover is characteristic of the consumption goods industries which show the lower loss experience, there may also be a correlation between the proportion of bad debt losses and the customary selling terms of the trade.

Thus we see that the innate characteristics of each trade or industry exert an influence on the extent of the losses that may be considered a normal incidence to the realization of receivables.

Losses and Credit Policies

AMONG the few clear-cut conclusions that stand out in the survey of bad losses among wholesalers and manufacturers is the fact that an almost perfect inverse relationship was disclosed between the size of sales

and bad debt loss ratios. The largest proportionate losses were found among the smallest size groups and as the size groups increased in volume, the loss ratio diminished with almost unfailing consistency. What are the implications to be drawn from this observation of statistical fact?

In the first place, it would seem to establish the efficiency of credit management as the most important factor in controlling credit losses. The larger business units can afford better trained, better paid, and better equipped credit organizations and through expert and specialized supervision they are able to exercise a more intelligent control over their credit policies. Smaller concerns do not have the personnel nor the facilities for the same effective management and they pay for the resultant inaccuracies of credit judgment through a heavier proportion of bad debt losses.

Some Too Anxious for Business

AGAIN, the reduced loss ratios among the larger size groups may be attributable in part to the fact that the larger business units are well-established and do not feel the same pressure to take on new business involving extended terms or border-line responsibility as may be true of many small, ambitious enterprises. To some extent they are aloof from the costly competition in credit terms frequently characteristic of the struggles of the smaller units for a greater share of sales volume.

Another definite and consistent manifestation disclosed by the survey was a perfect inverse correlation between the proportion of bad debt losses of both wholesalers and manufacturers and the average amount of credit extended each customer. As the average annual sales per account rose from a classification of $250 and under to a classification of $1,000 and over, the ratio of bad debt losses to credit sales showed a consistent decline in both 1937 and 1938.

Since this trend was evident in practically every major industry included in the survey and was found to cut across size groups as well, it cannot be ascribed to the nature of an industry alone nor to the size of its operating units alone, the survey points out. Rather it is felt that high average sales per customer are related to effective management and the more thorough development of a limited number of selected accounts. Here too, then, we can tie in a reduced proportion of bad debt losses to a more intelligent direction of credit policies.

Bad Debt Reserves

SINCE under average conditions bad debt losses may be deemed to be an inevitable incidence to the realization of receivables, it follows that a reserve for bad debts should ordinarily be provided against any uncollected receivables that may remain on the books at the close of an accounting period. This is true for two reasons:

> First, the operations of the period during which the accounts originated should properly bear all of the losses incurred in converting them into cash. All receivables known to be worthless at the close of the period should be charged off and in addition a reserve should be provided against the unforeseeable losses that past experience shows will likely be sustained in the realization of the remainder.
>
> Second, the amount at which the receivables are carried as an asset in the balance sheet should represent the value at which they are likely to realize based on past collection experience. Hence the face amount of the receivables outstanding at the close of a period should be reduced by a reserve for bad debts to arrive at a true estimate of realizable value for balance sheet purposes.

Because of their failure to recognize these two basic principles behind the creation of bad debt reserves, many business men make no provision for a reserve against their outstanding receivables. They confuse the need for a reserve with the necessity of providing for all *known* losses in the receivables asset. They charge off all accounts that have been ascertained to be worthless and deem that no further provision is necessary because they have cared for all losses that seem likely at the date of the balance sheet. They overlook the inevitable shrinkage of the average receivables asset in realization and the desirability of charging each accounting period with its proper share of this deficiency.

Adequacy of Bad Debt Reserves

IN considering the adequacy of a reserve that has been provided against the normal realization losses of the future, the analyst should relate the total to the facts shown by an age analysis of the outstanding receivables. With a general knowledge of the progressively greater shrinkage that is ordinarily characteristic of the collection of average business receivables as their age increases, he is then able to obtain some conception of the sufficiency of the provision made.

Again, it may be significant to determine the relationship of bad debt losses to credit sales over a period of years and to compare this ratio with the ratio of the bad debt reserve to the total receivables outstanding at the close of a period. It would not seem unreasonable to expect that the reserve provided against future realization losses in the accounts remaining unpaid at the year-end should bear a ratio to those accounts equal at least to the ratio of average annual losses to average annual charge sales.

Other Reserves Against Receivables

THERE are other types of reserves that technical accounting accuracy would seem to require against outstanding receivables if balance sheet values and operating results are to be stated with meticulous exactness. Since as a matter of practice they are usually ignored, we are merely enumerating them here accompanied by a brief explanatory comment:

1. Reserve for Freight
   Goods are sometimes sold with the understanding that the purchaser will pay the freight and deduct the amount thereof in making his remittance. If there are any accounts outstanding at the close of a period to which an arrangement of this kind applies, good accounting requires that the amount of the freight to be deducted should be eliminated from the year-end receivables and charged to the expense of the period through the creation of a reserve for freight.
2. Reserve for Returns and Allowances
   Since the receivables outstanding at the close of a period are ordinarily subject to reduction through a normal amount of returns and allowances, their realizable value is overstated in the balance sheet and the net sales for the period are also overstated unless a reserve for returns and allowances is provided. Such a provision is rarely made in accounting practice.
3. Reserve for Cash Discounts
   If cash discounts are offered to customers as an inducement for short-term settlement, the receivables total in the balance sheet will ordinarily include a number of accounts which are subject to reduction in this manner. A reserve should be provided for the estimated discounts available or else the realizable value of the receivables asset will be overstated to this extent.

WHERE bad debt losses are handled on a reserve basis, the ex-

pense provision for bad debt losses in the operating statement does not necessarily represent the amount of actual charge-offs. Fluctuations in the amount of the reserve also have to be taken into account. By way of illustration, a $10,000 charge may be made to the operations of a period for bad debt losses but if the reserve for bad debts amounted to $7,500 at the beginning of the year and only $5,000 at its close, it would appear that actual bad debt charge-offs had amounted to $12,500 (the $10,000 provision plus the $2,500 reduction in the reserve). It is the actual charge-off figure with which the analyst should be concerned in making statistical comparisons of loss experience.

If recoveries on previous charge-offs are returned to the bad debt reserve or if other extraneous debits or credits are made to the total, the computation of actual charge-offs will, of course, be vitiated to this extent. More often than not, however, recoveries are taken into the income account and extraneous entries in the reserve account are readily identifiable from an analysis of surplus changes.

Whenever it is feasible to do so, it is desirable to obtain a complete reconcilement of the changes in the bad debt reserve throughout the course of each period.

Recoveries

THE amount of the recoveries received on previous charge-offs is an interesting figure for the analyst to observe over a period of years, reflecting as it does on the conservativeness of the management's attitude toward the collectibility of receivables. If recoveries run in rather liberal proportions to charge-offs, there is strong evidence that the management is ultra-conservative in eliminating questionable accounts from the asset total. On the other hand if recoveries are negligible or non-existent, some doubt is properly raised as to whether adequate provision is being made for all uncollectible receivables.

A Quality Ratio for Accounts Receivable

WHEN a bank makes a self-liquidating commercial loan to a business enterprise, the funds usually pass through the receivables asset before they again become available in the form of cash for the payment of the advance. The proceeds of the loan may originally be used in the purchase or manufacture of merchandise but in most instances these goods are sold on credit and the funds thus move from inventories into receivables before returning to cash.

To the extent of cash sales, of course, the conversion is direct from merchandise to cash and receivables are eliminated as an intermediary stage. However, the preponderance of the sales of the average business enterprise are made on a credit basis. In support of this statement, we have the facts developed by the First Annual National Bad Debt Loss Survey of the Marketing Research Division of the United States Bureau of Foreign and Domestic Commerce, to which we have referred before. In 1938, the survey showed that 91.6% of the total sales of 2,400 wholesalers were on a credit basis and that credit sales accounted for 89.6% of the total sales of 1,600 manufacturers. For 1937, the comparable proportions were 92.2% for wholesalers and 89.5% for manufacturers. It is evident, then, that in a vast majority of instances current business funds flow through the receivables asset in the transmutation from merchandise to cash.

The Importance of Quality

THE quality of the receivables asset, therefore, directly affects the ability of the business to turn merchandise into cash and to meet its obligations as they mature. If the receivables are slow of realization, then the cyclical flow of funds is retarded and liabilities must be renewed or extended. If receivables prove incapable of realization, then the debt-paying ability of the business is reduced to this extent and creditors must look to the remaining assets for protection and liquidation. Hence the bank credit man is tremendously concerned with the quality of the receivables asset throughout the course of the year.

Several of the means available to the analyst for appraising the intra-period quality of receivables have already been discussed at some length. An analysis of the receivables remaining on the books at the close of an accounting period reflects to some extent on the quality of the asset throughout the year. Again, a study of the proportion of bad debt losses over a series of operating periods affords another indication of the average quality of the receivables factor in the cyclical flow of funds.

However, it is obviously fallacious to assume that the condition shown by an age analysis of the receivables asset at the close of business on one day in the year is necessarily a reliable indicant of the normal condition

When You Ask a Bank for Credit Information!

A banker in one of the large eastern business centers offers the quite obvious hint that inquiries for credit information should be specific.

"When I get a letter asking 'Please send us credit information about Soandso Company' I feel like writing back 'What kind of information do you want?'" This banker continued: "Banks do not operate credit reporting services. We are limited through our confidential relations with our customers as to the kind of information we can give out. We cannot of course give all of the information in our own credit files. But if inquirers will be specific in their questions so that we can say 'Yes' or 'No,' I think inquiries will be given a lot better attention by banks."

of the asset throughout the course of the period. At the same time, a study of bad debt loss proportions is at best a negative test of the average quality of receivables. It assumes that an account is good until it has been charged off which does not necessarily follow at all. The liquidity of receivables, as an element of quality, may be extremely poor, yet no reflection of this will find its way to the loss proportions until actual losses are sustained.

What is needed is some positive evidence of the consistent liquidity of the asset through which current funds must flow unhindered on their way from merchandise to cash.

Test of Liquidity

THERE is but one infallible test of the soundness and liquidity of an account receivable. And that is payment. To the extent that receivables are paid promptly and unfailingly throughout past periods, we have reason to feel that those outstanding at the close of a period will be discharged in a similar manner and that the nature of the receivables asset through which our future advances will have to pass is reassuring to confidence in the return of our funds.

But how are we to tell to what extent receivables are paid promptly and unfailingly throughout the course of a year? How can the analyst apply this positive test of liquidity to an appraisal of the year-around quality of receivables?

Fortunately for the analyst, a business practice has grown up among wholesalers and manufacturers which causes the prompt anticipatory payment of receivables to leave some record in the financial statements of a business. Originating as an aftermath of the Civil War, when funds were scarce, it has now become a well-established practice among most wholesalers and manufacturers to grant cash discounts to purchasers in varying amounts if settlement is made within a specified number of days. These discounts appear in the profit and loss statement of the seller as a charge against the operating income of the period in which they are allowed. They are thus made available to the analyst for the computation of a ratio which reflects directly on the manner in which receivables are discharged and affords an illuminating index of the quality of this asset.

A Quality Ratio

IF ALL charge sales during a period were made subject to a fixed discount for immediate cash payment, then by applying the rate of the discount to the charge sales total we are given the total amount of cash discounts that were made available to customers during the year.

From the profit and loss statements we can ascertain the operating charge for cash discounts allowed, representing the total amount of cash discounts that were taken by customers during the year.

By relating the total of discounts taken to the total of discounts available, we are given a ratio denoting the proportion of total charge sales that were paid within their cash discount terms, thus providing a positive and invaluable index to the quality and liquidity of year-around receivables from period to period.

As a simple illustration of the computation of this new quality ratio, let us assume the following facts for the year ended December 31, 1939:

Total Charge Sales	$200,000
Total Cash Discounts Allowed	2,000
Selling Terms	2%, 10 days, net 30 days

Since all charge sales were made subject to a 2% cash discount for payment within 10 days, there were $4,000 of cash discounts made available to customers during the year (2% of $200,000).

Actually, however, only $2,000 of discounts were taken, according to the profit and loss statement.

By relating the $2,000 of discounts taken to the $4,000 of discounts available, we get a ratio of 50%—*the quality ratio of receivables* for the year 1939.

If the quality ratio for the preceding year had been 40%, we have absolute evidence of an encouraging enlargement in the proportion of discounting customers. If, on the other hand, the ratio for the preceding year had been 60%, we are faced with a positive indication of deterioration in the average quality of receivables.

Emphasis of Ratio's Significance

AS WE have had occasion to mention previously during our discussion of receivables, a business that is financially able to do so will ordinarily avail itself of every discount that is offered for the immediate cash payment of purchases. A 2% savings on monthly purchases is the equivalent of 24% on average monthly purchases for the year and with bank interest rates as low as they are today and with banks as eager to lend, no business with a respectable spark of credit worthiness can afford to pass up its discounts. Purchasers are thus resolved into those who take their discounts and those who do not with the latter group representing purchasers of doubtful responsibility. Therefore the quality ratio, showing as it does the proportion of customers who take their discounts, literally segregates the average receivables of a business throughout the year into those that are good and highly liquid and those that are slow and extremely doubtful.

Practical Obstacles to Ratio

THE only major obstacle to the practical application of the quality ratio is created by the fact that in many businesses selling terms vary between products and even between purchasers. However, it should be realized that a mere variation in net terms need vitiate in no way the use of the ratio. For instance, it makes no difference whether terms are 2%, 10 days, net 30 days, or 2%, 10 days, net 60 days, so long as the *rate of cash discount* is consistent on all types of charge sales. Even if the latter difficulty is raised, it may be obviated by the adoption of a simple accounting expedient as we shall see in the concluding section of this chapter.

A minor fallacy in the principle of the ratio is that the discount rate is applied to the charge sales of the entire year to determine the amount of discounts available to customers during the year while actually discounts on sales for the last 10 days of the year (if 10-day discount terms are employed) are available in the succeeding period. This weakness does not apply, of course, if a reserve is provided against the discounts available in the receivables at the close of the year. In any event, it is a negligible point and the effect of an overlapping at one end of the year will be virtually eliminated by a similar overlapping at the other.

Credit in the Insurance Business

A New Credit Field Is Started

One is often asked, "What function has a Credit Manager in a fire insurance company?" To the commercial credit man's mind comes the impression that a fire insurance credit man's duties have to do with whether or not credit should be extended on premiums, and, if so, how collections are effected.

This, however, is far from the case. The fire insurance credit department is a relatively new credit function. While it is now eighteen years old, the operations of such departments are not generally known to the credit fraternity, nor even to most credit associations.

Early in 1923 the first credit department was launched in Chicago. Its operations were based on standard credit practice, fitted to the fire insurance business. In that year the Vice-President of a large fire insurance group was sent out to take over the management of their Western Department in an attempt to put it on a profitable basis.

It is a known axiom that fire losses follow the business curve in inverse ratio. When business is prosperous, fire losses decline; when business is bad, fire losses increase. The ever present factors, from the fire insurance standpoint, in declining business are Moral Hazard and Morale Hazard.

What Is Moral Hazard?

MORAL Hazard has been defined as "A risk resulting from uncertain knowledge as to the honesty of the person insured." In a period of declining business activity, falling values of stocks, equipment and commodities, the temptation engendered by full fire insurance coverage is obvious. In the same period of business decline the fire insurance business encounters Morale Hazard. Morale Hazard is defined as "absence of a will to safeguard." When business is slack, the expenses of maintenance are onerous. Economy is practiced, even to the extent of cutting down on janitor service, cutting out watchmen, not making necessary repairs, etc. Herein arises potential loss to the fire insurance carrier. It is not a crime of viciousness, but one of neglect.

By DON C. CAMPBELL

Credit Manager
Continental Insurance Co., Chicago

The fire insurance business is predicated on two basic principles known to statisticians and actuaries, the Law of Large Numbers and the Theory of Probabilities. The operation of these two principles make insurance approach the field of an exact science. The only obstacle to a relative exactness are the two "depression twins" Moral Hazard and Morale Hazard. Rates for insuring almost anything can be established on the basis of the two principles, but when the hand of man intervenes, in the form of Moral Hazard and Morale Hazard, the entire scheme of rate making is upset. "No rate can be made that will ever cover Moral Hazard" is an axiom of the insurance business.

A Credit View of Risks

WHEN, eighteen years ago, this insurance official undertook to re-organize his company's Western Department in order to put it on a profitable basis, he realized that his most important step was to reduce the activities of the "depression twins" Moral and Morale Hazard. Basing his theory on the axiom that fire losses follow business in inverse ratio, he realized that a profitable business would not welcome a fire. He further realized that the determination of a profitable business is generally the function of a credit man. Was not the fire insurance business parallel to commercial business? Did not the fire insurance business extend credit (that of protection against financial loss) the same as manufacturing and wholesaling businesses? Was not the touchstone of a profitable business and a good sound character the same problem to both? The only difference he could see was that the fire insurance business had no recovery to credit to its losses, as the credit man had in bankruptcy proceedings. Therefore, was it not logical to apply the same credit treatment to the fire insurance business?

A commercial credit man was used in this early establishment of a fire insurance credit department. The practices of credit were applied to the problem confronting the fire underwriter. It was found that not only were the regular practices of credit men in financial statement analysis, ratio analysis, and balance sheet analysis, applicable to the problem, but furthermore much stress had to be placed on antecedent history to bring out whether any of the indications of Moral Hazard to come, possibly under financial strain, appeared.

This delving into the past histories of businesses under analysis, brought to attention the fact that many businesses had had stormy financial careers due to lack of insurance cover in proportion to values. This outstanding observation was further emphasized when the early credit department commenced to analyze losses for the development of record information.

Lack of Insurance Coverages

IN many cases, even with outstanding and prosperous firms, insurance carried was exceedingly low, proportionate to insurable values. These cases were observed over a period of years to see what the outcome of sizable uninsured or partially insured disaster would be. Many bankruptcies and composition settlements followed, many businesses did not resume, some sustained a substantial reduction in credit rating, and some recovered due to the

signal aid of creditors.

The original commercial credit men who established the fire insurance credit departments recalled how little attention they paid to insurance in the process of checking commercial credits. This realization gave birth to the idea of the Insurance Group of the National Association of Credit Men, which was founded at the Milwaukee Convention in 1932, nine years after the founding of the first fire insurance credit department.

The Insurance Group was launched by a group of fire insurance credit managers and insurance men. Its platform was not the encouragement of the sale of insurance, but a definite desire to point out to fellow credit grantors the source of loss to them, and to business generally, namely, the lack of sufficient insurance cover on the part of their customers. They realized that the actual loss to the credit men and to business was not only the direct loss sustained by the customer's failure—so many cents paid out on the dollar after bankruptcy or composition—but also the cost of putting that customer on the books. This could be arrived at by dividing the advertising cost for the year the customer was acquired, the overhead of salesmens' expense and other acquisition costs, by the number of customers acquired that year.

Billions in Unprotected Losses

LOOKING at the records brought out the fact that from 1930 to 1935 inclusive the credit loss to business nationally for that five year period was Three Billion, Two Hundred Million dollars. It was further developed that the losses sustained by business were not the result of fire losses only; large liability judgments were found to be business wreckers; defalcations took their share of toll; even death, particularly of partners, key men and sole proprietors took their share in the loss to business, all of which could have been prevented by adequate insurance in the various lines.

The insurance credit managers, in considering the problem of their fellow credit grantors, looked back to their own study of insurance. They recalled the theory of risk bearing as applied to fire insurance, and realized that for every risk carried there had to be an adequate payment for the service; that an added hazard over

the average, upset the principles and they could not afford to carry it; they further realized that their function as credit men was to select the credit risks that had the best chance of continued success and regularity of payment,—and then they wondered how their fellow credit grantors in the commercial lines could afford to carry *not only* the standard risks of credit, but also the disaster risks of their customers as well.

An uninsured credit risk increases the risk in geometric proportion to the potential hazards to which the risk, as a going business, is subject. In the insurance business such pyramiding of risks would call for greatly increased premiums, if it could be written at all. Naturally they figured, such risks to the commercial credit man should bring substantially increased profits to pay for the excess hazards he bears, when he adds to the credit risk all the potential hazards that beset the average business today.

What Research Uncovered

BUT it was found that the commercial credit man had no greater profit to pay for his greater hazard,—that the fully insured customers bore their proportion of the credit loss the same as the least protected business through the medium of overhead. It was found that higher rated fire insurance risks failed to carry fire insurance because of the high rate, at the same time they were marked as outstanding hazards to the fire insurance situation, and substantially augmented the risk to which the credit man was subject. This led them to the conclusion that many of their fellow credit men in the commercial end of business were *also in the insurance business,* as they carried the risk of disaster eventualities in addition to the credit risk.

Many of the insurance people connected with the National Insurance Group and with the Insurance Advisory Councils in the local associations, particularly in larger centers, are insurance credit managers, or are in work akin to the insurance credit practice. Their connection with credit associations is not in sales or production,—but from interest in spreading the gospel of protection,—a necessary adjunct to the credit man's tools,—to reduce the credit loss to business.

The credit function as applied to insurance underwriting has reduced the losses produced by the "depression twins" Moral and Morale Hazard,—it has also spotlighted a weakness in the credit structure: "lack of adequate insurance." In these times of Production for Defense, the importance of this weakness of the credit structure is magnified. The co-operation and advice, through the Insurance Advisory Councils, of these credit managers of insurance companies, and their fellow insurance men who have seen the light of service to the Credit Fraternity, is open to all members of the National Association of Credit Men.

The insurance credit department is still not general with all fire insurance companies. Difficulty in securing trained personnel slows down the fast development of such departments. As time goes on and more knowledge of their operations and benefits is acquired, they will be as general as the commercial credit department.

"Guarding the Nation's Profits"

Something About Fraud Prevention

By HAROLD BAILEY
Supervisor, Central Division
Fraud Prevention Department

The old proverb "An ounce of prevention is worth a pound of cure" still holds today as it did when it was first used a century ago, and credit executives across our entire country are no exceptions to the belief that by preventing fraud countless thousands benefit.

Experience in investigation of alleged infringements on the criminal code tend to prove that virtually every case the facts are different and the method of procedure by the Department representatives must vary according to the methods used by the subject under investigation. Frequently this involves examination and analysis of the subject's books and records, if such are available, the examination of court records, testimony, real estate records, bank records and the interviewing of interesting creditors, former employees or any other persons who might have knowledge of the business under investigation.

To assist in conveying a clearer understanding of what an investigation entails, it may be well to mention the laws which are frequently violated by the commercial racketeers.

There is a Federal statute which makes it a crime to use the mails in a scheme to defraud. We find that the commercial crook quite often violates this statute, in that, in the furtherance of his scheme to defraud he does mail false financial statements for the purpose of defrauding his creditors out of merchandise or monies.

What of False Statements?

IF, for instance, one were to conclude that a false financial statement received through the mail in itself would constitute a violation of this statute, as natural as this assumption may be, it would be incorrect. It must be proven that the statement or correspondence was mailed in the furtherance of a plan or scheme to defraud. In other words, it must be proven beyond a reasonable doubt that the subject intended to defraud when the statement or letters were mailed. Many times this can be proven.

One thing more very important in the successful prosecution of a mail fraud case is the proof of mailing. This is usually established by producing in court the envelope in which the statement was received. This envelope reflects date, place and time it was mailed as well as time and place it was received. If credit men, when receiving by mail, financial statements or correspondence, which has a bearing on the extension of credit will initial and preserve the envelopes of mailing it will greatly assist the proper investigation and prosecution should fraud be involved in the transaction.

The intent to defraud can be proved in a number of ways but perhaps the most common is to consider the subject's methods of operation and actions before and after the mailing of the letters or documents. Should a number of false statements be prepared and broadcast over the country, thereby securing a large amount of merchandise which he disposes of regardless of price, that in itself would tend to show that there was a scheme to defraud his creditors.

The Easy Way to Credit

TAKE the case of the merchant, who for some time has had a good business reputation and when he finds himself in financial difficulties, takes the easy way of securing merchandise which he disposes of in the regular course of business. It may be hard to determine or prove that he intended to defraud. What is meant by the easy way of securing merchandise, is to falsify his financial report.

An individual of this kind seldom issues many false financial statements nor does he secure more merchandise than necessary for ordinary needs. Now in some cases of this kind, the courts might rule it reasonable to believe that the individual did not intend to defraud his creditors at the time he mailed the statement. It might be construed that he considered his unfavorable financial condition temporary and that if he secured additional merchandise and business conditions improved he would be in a position to take care of his obligations. He may have fully intended to pay for the merchandise that he received on the financial statement that was not correct, but later conditions beyond his control forces him into insolvency. In cases of this kind, it is quite often difficult to prove that there was intent to defraud and if it is not possible to prove intent there would not be a violation of this statute. Therefore, the importance of proving the intent to defraud in these cases can readily be understood. One can clearly see why under certain circumstances, no prosecution will result even though a statement materially false came through the United States mails.

Those Who Conceal Assets

PROBABLY the violation that is most frequently brought to the attention of the Fraud Prevention Department concerns the individual who attempts to take advantage in an unlawful manner of the provisions of the National Bankruptcy Act. One section of the Act makes it a criminal offense to conceal assets from a receiver or trustee of bankruptcy estates. Furtherfore, it is also an offense to falsely testify before a referee in the bankruptcy, to file a false claim or schedules in a bankruptcy case, for officers of a corporation to convert the funds of said corporation to their own use in anticipation of bankruptcy or for two or more persons to conspire to violate any of the provisions of this Act. These are not all of the offenses set up under the bankrupt act but the ones most commonly encountered in the investigation of commercial fraud cases.

Of these offenses listed above, prob-

ably the one most often brought to the attention of our Fraud Prevention Department is the individual or individuals who conceal assets from the receiver or trustee in a bankruptcy case. Also, perhaps it is this violation that most often Credit Men misunderstand.

For a person or persons to be guilty of concealing assets from a receiver or trustee in bankruptcy, that person must have in his possession or under his control, assets which he does not turn over to the receiver as he is required to do under the provisions of the Bankruptcy Act.

Very often requests are received by the Fraud Prevention Department to investigate cases in which it appears that there may be concealment of assets but after a thorough investigation, it is discovered that the assets have all been dissipated prior to the filing of the petition. In other words, it is not a violation of the Bankruptcy Act if the individual disposes of his merchandise irregardless of price and after converting it into cash squanders it any way whatsoever the money he received. There may be some other violation such as the manner in which he obtained the merchandise but unless he has the merchandise or cash in his possession or under his control at the time the petition of bankruptcy was filed and he fails to turn same over to the receiver, it is not concealment of assets.

Conspiracy Also a Crime

THE Fraud Prevention Department investigates a number of cases in which there is evidence of direct concealment as well as conspiracy to conceal assets. That is, the principal may have concealed the assets and other individuals conspired or helped him to violate this law. In a matter of this kind, it is sometimes possible to convict the individuals who helped him conceal the assets as conspirators although it would not be possible to prosecute them for direct concealment. These points all figure in an investigation.

As stated before, there are other offenses listed under the bankruptcy act but inasmuch as these are not commonly encountered in our investigations, space limits extended technical discussion. The wording of these offenses as given in the Bankruptcy Act describes very well what the offense is, such as filing false claims, giving false testimony before a referee, etc.

No mention has been made of any of the many violations that are investigated by the Fraud Prevention Department which involves the various State laws. The majority of the cases in which the Department is interested are prosecuted under the Federal statutes but that does not mean that we do not investigate and turn over to the state authorities, evidence in many matters in which there has been a violation of the State law. Inasmuch as the State laws vary in different states, it would almost be impossible to cover them in an article of this kind. Suffice it to state that if the investigation discloses a violation of any of the criminal statutes, whether it be Federal or State, consultation and cooperation with the proper authorities invariably follows.

The question may arise to how and why did the National Association of Credit Men become interested in this particular work. The beginning of a thing is always interesting.

Why F. P. D. Was Formed

TURNING back the pages of commercial crime to 1925 and prior, we find that while laws affecting commercial crime both state and Federal were quite adequate, yet it is said such fraudulent practices prospered. Without a medium through which an investigation could be conducted, comparatively few convictions were recorded. It was for this reason that the National Association of Credit Men became interested in a constructive program to manage unjustifiable fraudulent failures and the Fraud Prevention Department was formed.

Charles J. Scully, a former F. B. I. man heads the Department as Director and he has associated with him men of long experience and training, a fine working organization absolute specialists in their field.

The work has been carried on aggressively and consistently and during the past sixteen years, from July 1, 1925 when it was launched, it has a record of five completed investigations every week of each year, and about the same number of preliminary investigations so called, owing to the fact that for various reasons they were not carried through to the Indictment request stage.

Of these completed investigations, there resulted an average of one indictment every other day of the week during this same period and the record of final conviction shares two every week for sixteen years.

While a spectacular part of the work is the chase, the capture and the conviction and perhaps the recoveries, yet many leaders feel that the greatest contribution the Department makes is the preventative element and the general deterrent effect of the Department on such activities. As one has aptly said "The fact that we are experiencing no fraudulent failures is the great compliment that we can pay you."

When to Sell on C.O.D. Terms

A Credit Man's Views of a Necessary Evil

By H. R. GRUBER
Upjohn Co., New York City

We, as credit men, should realize that this practice, although a necessary evil, should be discouraged as much possible. However, we have all had occasion to curtail a customer's credit and insist that he purchase his requirements on a C.O.D. basis. The following conditions may prevail which would necessitate placing an account on a C.O.D. basis:

1. An overdue account.
2. Receiving reports of an unsatisfactory nature.
3. When an account becomes insolvent.
4. When a petition for reorganization has been filed.
5. The customer's own request.

You realize, of course, that under a C.O.D. arrangement when a customer already owes an overdue balance, you are merely granting him an extension on the old account while permitting him to purchase his present requirements on a cash basis. However, the demand for your products make this extremely necessary and you would be quite willing to place the account on a C.O.D. basis.

When reports of an unsatisfactory nature are being received on an account, you may find it advisable to restrict the account temporarily to a C.O.D. basis until sufficient evidence has been submitted to prove that the existing conditions are merely of a temporary nature, and that with an improvement in business, this condition will be overcome and the customer will again be in position to permit you to reopen his account on regular terms.

In Case of Insolvency

YOU may have learned that a customer has become insolvent, but that the business is to be continued until satisfactory arrangements have been made so that creditors will be amply protected. During that period, you may deem it advisable to supply the customer with his requirements on a C.O.D. basis.

After a customer has filed a petition for reorganization under the Chandler Act, or the old famous 77B, he may still wish to continue his business. If you do not have sufficient evidence to believe that arrangements will be taken to protect creditors who will ship merchandise during the bankruptcy period, you may wish to do business with the bankrupt concern on a C.O.D. basis.

A customer may, for various reasons, decide it would be to his benefit to curtail his purchasing power and insist that merchandise be shipped to him on a C.O.D. basis. Moreover, the selective draft situation whereby a customer has been asked to wind up his business affairs within a certain period of time, finds it necessary to purchase his requirements on a C.O.D. basis.

I will also try to explain to you why I am averse to this plan of selling merchandise. In the first place, you realize that when a C.O.D. shipment is made that additional expense is incurred as a result of which the price of the product itself to the consumer will have to be increased. Moreover, a customer may not be in a position to accept delivery of the C.O.D. shipment as he may not have available sufficient funds to pay for it. This very often occurs, especially with the small retailer who is compelled to purchase his requirements on this basis for the reason that he has not been able to establish a regular line of credit. Furthermore, he may not be present at his establishment when the C.O.D. package arrives. This usually results in the return of the package and the expense is usually borne by the shipper.

As I indicated in my opening remarks, the mere placing of an account on a C.O.D. basis when the customer already owes an overdue amount, is simply a further extension of credit. You are compelled, by the terms of the invoice, to allow the customer cash discount, if you have any, and he receives all the benefits accorded to discount customers although he still owes you an overdue amount.

A Little on Account

UNDER these conditions, it would seem very advisable to ask a customer to send a payment to cover the exact amount of the order whereby a customer will each time add to his remittance a little more than the amount of the order, the additional sum to be applied against his overdue account so that the balance will be gradually reduced. In this manner, you will not bring about the hardships entailed in shipping C.O.D. and at the same time the old account is being curtailed.

We have many such accounts on our books and they have proved satisfactory. After the old account has been finally collected, we have been able to prove to a customer the advantages to be derived from purchasing in accordance with our regular terms.

Moreover, if you were to look on the C.O.D. business as a means of securing payments that might be applied against the old account, you will find that within a few months the C.O.D. purchases are frequent enough so that the account can be brought within your terms. You can then prove to your customer, beyond any question, that it would have been much better had he agreed to make payments as frequently as he has ordered his C.O.D. shipments, and permitted these payments to be applied against his old account; in place of making it necessary for him to ob-

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tain that stigma of being placed on a C.O.D. basis.

LET me illustrate: Suppose you have a customer who owes you approximately five hundred dollars. It does not make any difference, but let us take the month of April, 1940. You will find that the customer's average monthly purchases in the past have been approximately a hundred or a hundred and fifty dollars. Although the account now has been placed on a C.O.D. basis, you find that his requirements are still approximately fifty or seventy-five dollars each month. At the end of April, your records indicate that this customer owes you for approximately four months' purchases which are divided as follows:

December	$100
January	$150
February	$150
March	$100

Now this customer may have decided, in view of the fact that he is unable to comply with your regular terms, (and he may have some very good reasons for his inability to pay you immediately) that he wishes to purchase his requirements on a C.O.D. basis, and asks you to wait until he makes arrangements about the old account. You may agree to this arrangement because you wish to have a continuance of this outlet for your products in that particular store.

This customer begins to send you every other day an order for approximately ten dollars. If, over a period of thirty days, he has submitted ten orders, each for ten dollars, the total would equal one hundred dollars. If you had applied this one hundred dollar payment against the old account, you would have entirely eliminated the December balance; and at the end of May you would have been in no worse condition than you were previously. Now, if this customer should in any particular month exceed the amount of his normal purchases—and that has happened, and had you applied the entire amount of the C.O.D. payments against the old account, this would improve the picture. If you were to go one step further and ask for a small amount with each C.O.D. purchase to be applied against the old balance, you can readily see that the condition of this customer's account would practically be placed in a current condition within a few months.

NEW BUSINESS BOOKS

CREDIT AND COLLECTION PRINCIPLES AND PRACTICE. By Albert F. Chapin, Associate Professor of Finance, New York University. Fourth Edition. McGraw-Hill Book Company.

Since Professor Albert F. Chapin first published his book, "Credit and Collection Principles and Practice," in 1929, this book has been used as a standard text in most all of the Chapters of the National Institute of Credit. Professor Chapin revised his book in 1935; also, in 1939; and now, in 1941, he has brought out a fourth edition of his very complete text. As stated above, this book is required study in practically all National Institute of Credit courses. The younger generation, coming along in the credit field, know Professor Chapin's ideas practically from cover to cover. Perhaps some of the old timers might find it to their advantage to have this book handy to their business desk so they could refer to it frequently when difficult problems arise in credit work. However, one of the best things that could be said about Professor Chapin's book is that it does not pretend to be one of these "how to do" books, but rather a discussion of the methods and practices which have been found most successful in actual experience. The Chapin book is primarily a text book. Most of the people engaged in business today would benefit by reference to such a text on frequent occasions.

SUCCESSFUL MAIL SELLING. By Harold P. Preston. The Ronald Press Company, New York.

Business executives who have had a "fling" at trying to sell anything by mail doubtless would be willing to admit that this method of obtaining orders has many pitfalls. Based on long experience in several fields, Mr. Preston, who, by the way, has written several articles for "Credit and Financial Management," has presented a valuable handbook for everyone who has occasion to sell by mail whether veteran or not. His book is truly a handbook rather than a text book, but it covers the field with enough thoroughness so that the person who follows Mr. Preston's guidance will gain a lot of valuable knowledge and more than likely will not run into the more expensive pitfalls surrounding this form of sales effort. The Preston book covers such important subjects as "Market Possibilities," "Technique of Mail Selling," "Tested Selling Formula" and general rules for success.

THE CONTROL AND VALUATION OF INVENTORIES. $3.00. National Association of Cost Accountants, New York City.

Corporation executives, charged with the problem of inventory, will find this book, which is a collection of papers by different contributors, quite a complete coverage on the general subject of inventory. Among the phases taken up are "Inventory Control," "Inventory Valuation," "Current Inventory Practice" and "Methods for Taking Inventory." The material is presented in the case study type so as to make it more practical for active business executives.

SUCCESSFUL COLLECTION LETTERS. By William H. Butterfield, Department of Business Communication, University of Oklahoma. Published by the McGraw-Hill Book Company, Inc.

Judging from the number of announcements of books on collection letters, this subject seems to be a very popular one among publishers of business books. Professor Butterfield has presented some 200 different collection letters in his book, presenting the letter on left hand page with the comment about the letter on the right hand page, showing how well the letter pulled.

BUSINESS AND PROPERTY LAW. By Robert E. Stone. University Business Book Series published by the Foundation Press, Chicago.

This book is intended as a text book for university classes. However, the business executive who wishes to make a further study of business law than is presented in Credit Manual of Commercial Laws will find this volume of special interest.

Defense Work Requires Fire Extinguishers Be Fit

(*Cont'd from page 15*) removing the cap, the holes allow any undischarged gas to escape.

Remove foam solution container or cage and acid bottle, putting aside the load or porcelain stopple for replacement after recharging.

Wash all parts thoroughly in lukewarm water, rinsing the shell well and draining the water out through the hose.

The nozzle can be cleaned out with a suitable brush or piece of stiff wire if necessary.

Inspect the hose and head gasket for signs of deterioration (hardness, stiffness, breaking or checking). Replace them—and any other necessary parts—with parts obtained from the extinguisher manufacturer.

Clean out any clogged holes in the strainer.

Use Materials Specified

Use only charging materials supplied by manufacturers of extinguishers approved by Underwriters' Laboratories. Dissolve thé powdered chemical in water outside the extinguisher and follow the instructions on the package containing the new charge.

When putting the chemical solution into the shell of the extinguisher, fill it to the filling mark, never above it.

Place lead or porcelain stopple on foam solution container or acid bottle. Insert foam solution container in extinguisher or place acid bottle in cage in the neck of the extinguisher.

Before screwing the cap on the collar, vaseline should be placed on the threads to facilitate the work.

Make certain to return to each extinguisher the cap that was removed from it.

At least four threads of cap and collar must be engaged and threads should be inspected to make sure they are clean and sharp. The cap must be seated tightly on the gasket when screwing the cap on the collar. These precautions will prevent cap from being blown off by the pressure developed during operation.

On tag wired to the extinguisher note the name of the person recharging the extinguisher and the date on which the work was done.

The Credit Problem in Sales

A Talk to Salesmen in the Flour Industry*

Credit is like a locomotive. In skilled and dependable hands, the great power of a locomotive may be controlled to perform useful tasks of benefit to all society. But, in unskilled and undependable hands the power of a locomotive becomes an uncontrollable force of destruction and the only useful service it performs is the ultimate extermination of the engineer who, all too frequently, carries innocent passengers to an untimely end.

So it is with the use of credit. Some people know precisely how far they can throw open the "throttle" on credit without injuring either themselves or others. On the other hand, some people feel only the thrill of great power in their hands without sensing the responsibility which must always go with the exercise of power. Thus, it isn't the use of credit that causes the problem any more than it is the locomotive that causes an accident problem. It is the fellow "behind the throttle."

Fortunately, for those of us who must frequently place our lives in the safekeeping of the railroads, it isn't necessary any more to worry about the current "mood" of the engineer. There was a time when it was quite advisable to check up on this matter before risking a journey on the railroad. If the engineer happened to be feeling a little "frisky" that day, it was reasonably certain that one or two curves along the route would be taken on less than the required number of wheels, or perhaps on none whatever!

That was before the railroads discovered that they must insist upon rigid adherence to a definite *safety policy*. It took time and a lot of accidents to make this discovery and it also resulted in the elimination of some engineers who couldn't adapt themselves to a set of fixed rules which controlled their speed on every curve and sidetrack. However, the railroads finally won this battle and although there is still an occasional accident, not one in a hundred is caused by an engineer who has fully complied with the safety code.

NOW the reason some mills have a "credit problem" is because they don't have a scientific *credit policy*—just like the railroads had an accident problem before they adopted scientific *safety policies*. Without such a definite policy to guide them, some mills have acquired the habit of treating every buyer as a "special situation;" that is, a situation justifying at least one concession in the rules which sound judgment dictates should be respected. As a result, a few mills have about as many different credit terms as they have customers and in some cases consistency seems to be a virtue only so long as it pleases the customer.

After a fashion, this inconsistency *is* the credit policy of some mills without being recognized as such. Fortunately, this condition is not widespread because most mills refuse to permit their financial resources to be expended with so little discrimination, not to mention the fact that they recognize in such inconsistent credit practices an actual reflection on the consistency of the quality of their own products. However, to the extent this condition does exist, it is very much like the occasional accident on the railroads that were slow in adopting a definite safety policy. It weakened the faith and respect of the public in the entire system.

The railroads were quick to see, therefore, that a safety policy wouldn't be worth a "continental" unless everyone cooperated to make it a universal program. At the same time, it was recognized that a safety policy must be flexible enough to take care of new conditions resulting from technical improvements and better safety devices, but not so flexible that every employee could make his own safety rules each time he was given a hazardous task to perform. Certainly there could be very little benefit in a safety policy which allowed each man to make his own rules or which was constantly being changed to satisfy somebody. The essence of any kind of a policy is the consistency with which a *predetermined* course of action is followed without regard for pressure brought to bear for special favors.

A Scientific Standard

THEREFORE, a credit policy, deserving of the name, should provide a scientific standard to be regularly and consistently applied for determining *in advance* who shall be given credit, how much credit shall be extended, and on what terms. Only by establishing such a policy and adhering to it will it be possible to avoid making snap judgment on these vital questions each time the problem arises. The credit problem will never be solved by allowing these questions to answer themselves under the strain of a bartering process.

The determination of the standard or standards by which applications for credit shall be measured is the responsibility of mill managers, but salesmen have it in their power to either destroy or preserve the effectiveness of these standards. Essentially, the problem of choosing appropriate standards is two-fold:

First, how much total working capital may be invested in accounts receivable; and, second, is the risk commensurate with the return.

It is in regard to the second factor that salesmen can render their greatest service. Obviously, the better the return the more credit may be extended. Assuming, however, that a minimum return is established as a pre-requisite to credit, the salesmen should not expect to receive favorable action on every offer based on credit meeting this requirement.

An anticipated profit at the time of sale may be entirely dissipated by the time of delivery through the operation of intangible factors beyond

* From October 3rd Bulletin, Natl. Millers Federation.

the miller's control. Thus, there are both internal and external factors which must be considered from the standpoint of the credit policy. Although the salesman is prevented from using his influence insofar as internal limitations are concerned, he is an important factor in the determination of price levels, booking periods and other external factors which have considerable effect on the credit risk.

Must Follow Policy

WHEN the mill manager, or whoever is responsible for determining the credit policy, selects the specific standards by which credit applications shall be appraised, it becomes the duty of every salesman to uphold those standards and abide by the company policy. For example, if it is contrary to the company policy (as it should be) to extend credit terms to buyers who are unable to buy from other mills except on arrival draft terms, the salesman would be doing an irreparable injury both to his own company and to the industry by offering credit terms.

Or, if the company policy requires the prospective buyer to submit a certified financial statement, the salesman would destroy the effectiveness of the policy by advising the customer that such formalities may be ignored. If it is a basic requirement that signed contracts must be secured covering each sale, the salesman has in his hands the power to weaken or strengthen the whole program. These illustrations and others which will suggest themselves to the salesman's mind are indicative of the importance of the salesman in the successful operation of the credit policy.

Thus, it can be seen that regardless of the nature of the credit policy, the salesman is a vital part of it. If his company policy is a liberal one, that is, if it allows high credit limits, the salesman's personality will have a pronounced bearing on competitive conditions where credit is a factor. For example, if the margin in a particular type of business is sufficient to cover the risk of liberal credit terms, the salesman is under definite obligations both to his own company and the industry to refrain from using that condition as an excuse for taking every ounce of advantage out of his company's liberal credit policy.

Obviously, the virtue of restraint under these circumstances lies in the fact that nobody would be injured, but if the prospect of an *uncertain* profit is held up as the only justification for credit terms, then everybody, including the buyer, is likely to suffer.

Advantage to Salesmen

THE salesman is an equally important factor in the administration of a penurious credit policy, or where no credit is given under any circumstances. Salesman operating under these conditions have no reason for apologizing to their customers. As a matter of fact, such salesmen have the very definite advantage of being able to return as often as they please to their customers' places of business without fear of being shunned until an old debt is cleared up. In addition to this advantage, there are numerous ways in which a good salesman can overcome the doubtful advantage sometimes alleged to be held by a competitor with a liberal credit policy. One good approach is to ask the buyer if he is buying the other mill's flour because of the liberal credit terms, or because the flour is a quality product.

If he says "because of the credit," then it is probably just as well to let the other mill keep the account. But if he says, as he probably will, "because of the product," then credit may be immediately discarded as a subject for discussion that will open up the way for a real job of salesmanship in terms of quality, dependability, uniformity, etc. Many mills which have operated for years on the theory that the only way they could get business was by extending more and more liberal credit terms, have discovered, to their sorrow, that they not only failed to get additional business from these tactics, but have frequently lost business to mills selling exclusively on arrival draft terms. The reason, of course, is because the mills that spend most of their time trying to sell credit have very little time left to sell their products. This is where salesmen can help in meeting the credit problem and the mills are looking to their salesmen for support and assistance in eliminating the use of liberal credit terms.

Necessity for Credit

OF course, the most effective way for eliminating the credit problem is to abolish all credit. This would be comparable, however, to the elimination of all locomotives as a means of putting an end to accidents. As a matter of fact, credit cannot be eliminated from the milling business even if all sales were made on a cash basis. The instant a flour contract is booked, the mill assumes a credit risk and it continues to carry that risk as long as the flour remains undelivered. The fact that the booking may ultimately be delivered on a cash basis does not in the least serve to reduce the credit risk carried by the mill during the life of the contract. The mill must "cover" the sale as soon as possible and this may be accomplished either by the purchase of cash wheat or by the purchase of "futures."

In either event the mill makes an instant *investment* in the contract on the strength of the buyer's promise to take delivery and then *pay* for it. The only distinction, from a credit standpoint, between the terms of the sale contract and the terms of payment when shipment is made, is the degree of risk involved. The aim of the credit policy is to reduce the risk of carrying an undelivered contract, as well as to reduce the risk of carrying an unpaid account after shipment is made.

Although the risk is increased the moment the goods are shipped and keeps right on increasing until payment is finally received, the risk of repudiation before shipment is one of equal, if not greater, importance from a credit standpoint. In fact, losses resulting from defaulted contracts may greatly exceed actual bad debt losses, but it is a mistake to assume that contract repudiations are not credit losses just as much as uncollectible open accounts. Therefore, the proper time to become credit-conscious is *before* the contract is signed. Indeed, the effectiveness of the salesman in holding down his bad debt losses depends largely upon his ability to accurately appraise the risks of repudiation before closing the sale.

Salesmen Can Help Most

IN spite of the excellent and efficient commercial agencies available to millers for obtaining credit information, salesmen can always do the best job of securing accurate and up-to-the-minute data on the credit of prospective buyers. In performing this service, salesmen should be guided by a few simple rules:

First, report to the mill in writing complete detailed information on the prospective buyer's name, corporate or firm identification and address, length of time in business, condition and estimated value of property and equipment, plant capacity, nature of tenancy in occupied premises, buyer's age, and all other *facts* which might assist the mill in appraising the buyer's financial strength;

Second, make a written recommendation stating the reasons why credit either should or should not be given, and, if credit is recommended, state the maximum limits which should be granted;

Third, keep carbon copies of all such recommendations and review these periodically from the standpoint of actual performance and subsequent developments.

By following these simple rules, the salesman will not only perform a very valuable service for his mill, but will also develop greater proficiency in selecting sound credit risks which offer an opportunity for profit. Thus the salesman will be able to improve his own judgment and thereby enhance his value as a salesman.

While credit may be here to stay there is no good reason for thinking that millers must always have a credit problem. By enthusiastic cooperation millers and their salesmen can solve this problem just as effectively as the railroads solved their accident problem years ago when everybody set their hearts and minds to the job. The solution to the problem lies in the hands of salesmen. Theirs is the power to control the use of credit. Only by the use of this power can credit be made to serve the industry and that time will arrive when every salesman comes to a full realization of the fact that a sale is a potential loss to the mill until the goods are delivered and the money is in the bank.

Viewpoint

He had taken pains, when he applied for work, to assure the farmer that he never got tired. When his new employer went to the field where he had put the man at work, he found him lolling on his back under a tree.

"What does this mean?" asked the farmer. "I thought you were a man who never got tired?"

"I don't," said the hired man, calmly. "This doesn't tire me."

A Functional Credit System

(*Cont'd from p. 6*) are promptly answered by the customer's ledger card which is a historical record of two types: (1) Specific facts, such as the amount owing, a high credit at any given time, or the date, terms, and amount of any invoice. (2) The over-all picture or trend which is indeed helpful to a credit man in getting a better perspective of an account. For example, should an account slip a little in paying on our terms, there would soon appear in the right-hand column, dates of statements mailed on past-due invoices. The account's degree of delinquency or fluctuation therein or changes in the size or timing of orders—all are of primary importance in deciding a policy for future dealings.

We like to have the mercantile rating on our accounts, so we provide for the recording of this rating at the top of our ledger card. The fluctuation of the rating on each account establishes another trend which can easily be compared with the trend of our dealings. The serial number in the upper right-hand corner of our ledger card tells us at a glance the approximate time when our year's service expires. This information is very advantageous when making periodic clearances and reviews.

The card number, sales territory code number, broker, and credit limit are also listed on our ledger card. Although we use the term "limit," it is used more as a gauge and serves as a means of allocating the task of approving orders. We make it a point to acquaint each new salesman thoroughly with our methods and to emphasize to him that the "'limit" is an arbitrary figure, always subject to revision.

The unbroken line on the chart indicates the flow of orders as they come to us in their original form—telegrams, transcripts of phone calls, formal orders, et cetera. Our credit clerk checks these orders directly with the ledger, taking into consideration the mercantile rating, the credit limit, and the ledger history.

After approval they are sent to the Order Department for completion. These approved orders come back to us in the form of invoices for permanent recording.

At the beginning of each month our statement clerk prepares a time table so that we know at any time just which territories will be covered on each day. We list only past-due items so our form is printed "Memoranda of Past Due Invoices," rather than "Statement." This method eliminates a large number of listings which might be discounted or paid net. The carefully calculated timing of these "Memoranda of Past-Due Invoices" makes them ideal as a base for collection correspondence.

Again the geographic arrangement comes in good stead. Our sales representatives receive copies of "Memoranda of Past-Due Invoices" on accounts in their respective territories at one time rather than A, B, and C today, D, E, and F tomorrow, et cetera. This arrangement is a decided advantage to the territorial representatives in planning their work and pays dividends in their increased ability to assist in collections. A complete coverage is made semi-monthly. However, we are continually searching for a better, more efficient means of doing the job. I should like very much to have suggestions from any of you who may have had the patience and fortitude to read this article to its conclusion.

Rising Inventories a Big Problem

Banker Discusses Best Methods

Concern over the rise in inventories necessitated by higher costs, larger volume of business and uncertainties of delivery, has resulted in increasing consideration on the part of business men and their accountants of methods of inventory valuation which may give protection against losses caused by future price declines, says the November Economic Review of the National City Bank of New York City. A growing number of companies are turning to the "last-in, first-out" method of inventory valuation, which tends to smooth out inventory price fluctuations and has been accepted by the Treasury for tax purposes in cases where it correctly reflects taxable income.

One of the most serious problems raised by the large inventories is the avoidance of distortion of income which results when low-cost goods are sold out in a rising market. Such inventory profits, as distinguished from normal operating profits, are non-recurring and almost certain to become losses when prices turn downward. Moreover, they are essentially fortuitous gains, a substantial portion of which may be needed for purchase of new inventory at prevailing price levels if the business is to continue as a going concern. They may give a false impression as to long-term earning power and complicate tax, labor and dividend problems.

Proponents of the "last-in, first-out" method regard the inventory as almost in the nature of a fixed asset of a business, which is needed, year-in and year-out, to enable the business to carry on, and whose valuation should not be allowed to influence reported earnings any more than is necessary. This method is essentially an attempt to match current costs against current sales, and thereby to eliminate unusual profits or losses on inventories carried over at valuations well below or above current prices.

During a period of rising prices such as has occurred this year, the charge for materials consumed would be based on the cost of the "last-in," high-priced materials, thus reducing profit due to pure inventory advance. Subsequently, in a price decline, the cost of goods sold would be that of the newer, low-cost materials, thus reducing inventory losses. In other words, the method is urged as providing a brake on inventory profits and a cushion against inventory losses.

Although "the last-in, first-out" method was not previously acceptable for income tax computations, the Revenue Act of 1939 permitted its use, subject to the approval and regulations of the Commissioner of Internal Revenue. Since that time, the method has been adopted—with respect to all or part of their inventories—by numerous companies in the textile, metals, petroleum and other industries.

Numerous other accounting methods, each offering certain advantages, are also commonly used, including the "base stock" method, in which part of the inventory is carried at constant values instead of at values which change with price fluctuations; also the appropriation of special inventory reserves out of earnings against possible price declines. While in the latter case the handling of reserves is discretionary, and may give rise to some objection on this account, it is to be borne in mind that a change back from "last-in, first-out" can only be made with consent of the Commissioner of Internal Revenue.

Thus far, the "last-in, first-out" appears to have been selected in most instances by manufacturing companies which carry large inventories made up of relatively few materials. The possibilities of its extension to producers of diverse types of goods, or to concerns in the wholesale and retail fields, are being given intensive study, and the technique of its operation is being constantly improved, although its suitability in any specific case naturally can be determined only after careful consideration of many factors, including its acceptability by the Treasury. One of the arguments advanced by proponents of "last-in, first-out" is that it will result in a saving on income and excess profits taxes, through ironing out the extreme swings of net income and deficit, yet over an extended period the amount of any net saving may be debatable because of the uncertainty of future earnings and tax rates.

Regardless of the particular accounting principles used, however, and regardless of the question of tax saving, it is of the utmost importance to the public as well as business itself to recognize the non-recurring character of inventory profits, and to make adequate provision for the increase of risk which is inherent in operations at high price levels.

Business Books

FINANCIAL POLICY OF CORPORATIONS. Two volumes. By Arthur Stone Dewing. The Ronald Press Company, New York.

Corporate officers who have been through the mill of experience for a number of years may find some of the presentations in this two volume work rather academic. However, the corporation man just starting out in business or planning his own business for some future time would obtain a lot of valuable information by reading this two volume work which covers everything from the "Forming of the Corporation and the Corporate Securities," "Valuation and Promotion," "Administration of Income," "Expansion," "Financial Readjustments" quite helpful. In fact, the two volumes present a complete study of the general subject of corporate finances.

NEWS ABOUT CREDIT MATTERS

A section devoted to Credit Association affairs

December, 1941

Copy deadline 15th of month

National Directors Meet at Santa Fe Nov. 13-15

Public Utility Group Starts Plans for Cincinnati Session

The Public Utility Group is getting under way with an ambitious schedule for its 1942 Credit Congress group meetings. Cincinnati's convenient central location is expected to attract an unusually heavy attendance and the Public Utility Group will present another one of its carefully arranged programs for the occasion. The popularity of the group meetings is a direct result of the time and effort which goes into this work. The first meeting of the Public Utility Group's Planning Committee was held in Jackson, Michigan, October 17, 1941, at the invitation of C. E. Rowe, Treasurer of Consumers Power Company, the following members attending:

Chairman, H. S. Hahn,
The Ohio Fuel Gas Co., Columbus.
Vice-Chairman, L. L. Starrett,
Commonwealth Edison Co., Chicago.
H. D. Ballard,
The Cleveland Electric Illuminating Co., Cleveland.
F. D. Hayes,
West Penn Power Co., Pittsburgh.
H. J. Offer,
The Detroit Edison Co., Detroit.
C. E. Rowe,
Consumers Power Co., Jackson, Mich.
O. J. Vosbrink,
Union Electric Co. of Mo., St. Louis.
J. G. Waddick,
The Peoples Gas Light & Coke Co., Chicago.
H. M. West,
Indiana & Michigan Electric Co., South Bend.

A 74 page record of the minutes of the 1941 meetings at New Orleans was prepared and published by this group. This record, which includes detailed discussions of practical problems which every public utility credit man must meet and a particularly fine and educational address by Professor Elsasser of Tulane University, has been enthusiastically received. There are still a few copies available and one may be obtained by communicating with H. S. Hahn, Chairman, addressing him in care of the Ohio Fuel Gas Company, Columbus, Ohio. There is a small cost to cover the stenographic expense.

National President Ray Wilson

Industry Groups Big Feature at Cleveland Meet

One of the big conferences of the N.A.C.M. season is the Pennsylvania-Ohio-West Virginia District Conference. The session, held this year on November 6th, 7th and 8th was up to the usual high standard both in attendance and program.

One of the features at this year's conference was a full day of industry group meetings before the conference proper opened. Eleven of these group conferences were held on Thursday with excellent programs.

Executive Manager, Henry Heimann, was the speaker at the Friday banquet.

The entire program was voted of high merit as the speakers had been carefully selected so to bring an answer to the problems of credit and business executives.

New York City newspapers gave columns of space to reporting the address of Henry H. Heimann, Executive Manager, for the New Jersey Association of Credit Men, here on November 18th. Mr. Heimann's talk was based on the general premise that the heavy increase in Federal taxation might reduce purchases by consumers after the turn of the year and that firms found with inflated inventories might not be able to continue their heavy sales because of this consumer reduction.

Approve Board for Credit Interchange, and New Constitution

Revised By-Laws Will Be Submitted at Next National Convention at Cincinnati

The annual winter meeting of the National Board of Directors of the National Association was held at Santa Fe, New Mexico on November 13th, 14th and 15th. This was the first Board session held in the Western Division in many years.

Highlights of the meeting were:

The Board gave approval to the formation of the new Committee on Credit Interchange to be known as the Board of Governors. In addition to giving approval, they made definite suggestions to the new Board of Governors with respect to further inquiries and studies to be made as a follow-up to the recommendations in the survey. The Board gave strong endorsement to the various service activities of the local and National Associations. In due time these will be reprinted in the magazine.

The Constitutional Committee, the Chairman of which is Mr. P. M. Haight, submitted for consideration a new Constitution. The Board went over it section by section, made certain changes and alterations, and then directed that it be prepared in proper legal phraseology and submitted to each local Association. The Board voted an indorsement of the Constitution, subject to the changes in phraseology as mentioned. It was further suggested that the new Constitution be proposed for adoption at the National Convention to be held in Cincinnati on May 10, 1942. Prior to that time, each local organization will receive a copy, so that each local will have ample time for consideration of the new document prior to the annual convention. It will in course of time be published, and this publication will be considerably in advance of the Convention dates.

The Board began its sessions at 10 o'clock on Thursday morning. On Thursday noon Executive Manager Heimann addressed the Rotary Club of Santa Fe and those members of the Board who were Rotarians were in attendance. The Board re-convened at 2 o'clock on Thursday and met continuously until 5:30. At 7 o'clock on Thursday night a dinner was given for those in attendance at the Board meeting, and their wives or families. At that meet-

ing Mrs. De Huff gave a talk on the history of New Mexico.

On Friday, the Board convened at 9 o'clock. It met continuously until 12. It re-convened at 1:30 and remained in session until 5:30. On Friday night there was a joint meeting of the National Board and members attending the Board of Directors meeting with the Tri-State Association of Credit Men consisting of members from many Texas points, Albuquerque and Santa Fe. Governor Miles of New Mexico attended this meeting and gave an address of welcome. Executive Manager Heimann made a talk on the present business situation. This meeting adjourned at 9 o'clock and the Board immediately went back into session and concluded its work at 11:30 that night.

Saturday morning was given over to a period of recreation. The Directors, their wives and families joined in the visit to Taos. At Taos, aside from visiting the Pueblo villages, a delightful luncheon was served at the Sage Brush Inn and a visit was made to the studio of Bert Phillips, a well known Taos artist. Mr. Phillips showed the group through his studio and explained some of his work. Great credit for the social entertainment is due to Miss Annie Porter, of the Santa Fe Builders Supply Company, and National Director Errett Van Cleave and his wife. The arrangements were splendid and the entertainment provided was most interesting. The Governor's wife, Mrs. Miles, was most gracious in seeing to it that the wives in attendance were shown every courtesy. Finally may it be said that the town people of Santa Fe were most hospitable. Each and every one who attended the meeting felt that not only the business sessions were very worthwhile but that in addition the experience was most educational.

The selection of the city for the next Board Meeting, as well as for the Convention in 1943, which is normally acted upon at the mid-winter Board Meeting, was deferred for action to the meeting of the National Board which will take place in Cincinnati at the Convention.

Credit Career

John J. Doran, financial director of the New York branch of the Parke Davis & Co., on November 7th celebrated his 50th anniversary with that organization. The event was marked by a testimonial dinner attended by the officers and heads of departments of this large drug manufacturing house.

Mr. Doran's activities include participation with the New York Credit Men's Association and the Foreign Interchange Bureau of the National Association of Credit Men. He was a past chairman of the governing committee of the Foreign Interchange Bureau and has made a close study of credits in export fields, especially those in South American countries.

J. J. Doran

Mr. Doran's hobbies are fishing, baseball and farming. He resides at Floral Park, Long Island, but his pride and joy is a summer place in New England. If you want to find out about trout fishing, Mr. Doran can tell you all about the kind of a fly to use on an overcast day when the water is roily. He also can give you a good argument on the relative merits of Mathewson, McGraw, Evers, Tinker, Chance, et al. as against the modern type of baseball slugger.

Presides at Banquet

Ed Moran, Manager of Central Division, N.A.C.M., was Toastmaster at the banquet of the Chicago Sales Congress, on November 13th, at the Congress Hotel. This was one of the largest gatherings of sales managers in the Central West.

50 Women Meet at Two-Day Conference Held at Seattle

Seattle—The Tri-City Conference of Credit Women's Clubs, including Seattle, Tacoma and Portland, met in Seattle the week end of November 15 with fifty in attendance.

Eleven delegates from the Tacoma Club attended. Seven representatives from Portland were headed by their President, Miss Nell Rothstrom of Stubbs Electric Co.

The banquet, preceded by a social hour, was held Saturday evening at the New Washington Hotel. Table decorations were in the patriotic theme. Speakers were E. C. Thomas of the British Consul's office, Seattle, and Lieut. Howell Davis and Lieut. West of H.M.S. Warspite, British warship here for repair.

The Clubs met again for breakfast Sunday morning in the Sky Room of the Washington Athletic Club. This was followed by reports from the various Clubs and a discussion of club activities.

Cost-Plus Defense Contracts Liable to State Sales Taxes

Two decisions handed down by the U. S. Supreme Court early in November gives the important ruling that cost-plus-a-fixed fee contractors with the Federal Government on defense projects, are subject to state sales and use taxes on materials they purchase in the fulfillment of their contracts. Both of the cases heard by the supreme court came up from Alabama and had to do with materials purchased for building new army camps. In both cases the high court ruled that contractors under cost-plus-a-fixed fee contract are not agents or instrumentalities of the Federal Government and are therefore not immune from paying the sales and use taxes as assessed by the states in which they purchase materials.

Visiting Ladies Are Entertained at Breakfast at the Governor's Mansion. The Governor's Wife Is Seated in the Center Foreground.

Richard Rice Resigns From Manning-Bowman

Richard Rice, for the past 31 years, connected with Manning, Bowman & Company, Meriden, Conn., and for the past several years Secretary, Treasurer, Office Manager and Credit Manager for this company, has resigned his position. Mr. Rice will be remembered as a Past President of the Hartford Association of Credit Men and, also, at present a National Director of the National Association of Credit Men. Mr. Rice has not announced his future plans.

Obituary

William Lee Bean, Secretary-Treasurer of McCormick & Company, of Baltimore, died on Sunday, November 9, 1941, after an illness of several weeks.

On February 1, 1892, he joined the McCormick organization, and when that firm was incorporated in 1915, Mr. Bean was made secretary-treasurer and served in that capacity until his death. In February, 1942, he would have completed fifty years of service with McCormick & Company.

Mr. Bean served two terms as president of the Baltimore Credit Men's Assocation and has been a regular delegate to the National conventions, serving on some of its most important committees.

Jackson, Mich.—Mrs. Lewis O. Atherton, wife of the Secretary of the Jackson Association of Credit Men, died on November 1st. Mrs. Atherton had been ill for several years with a heart affliction but had been active in her home until a few days before her death.

Many friends of National Director, J. E. Sugden, Jr., of Pittsburgh, will be saddened to learn of the death of his mother, Mary E. Sugden, late in October.

Position Wanted

CREDIT MAN with sixteen years experience in wholesale food products desires change. Age 45, married. Presently employed with National concern. Address—Box 12-A, Credit and Financial Management, One Park Avenue, New York.

CREDIT AND COLLECTION EXECUTIVE —Desires to market services with growing organization. Knows Credits forward, backward, and thru the middle. Age 40, College Graduate in Law and Business Administration and 12 years background in credits. Capable of shouldering heavy responsibilities, profitably. Address—Box 12-B, Credit and Financial Management, One Park Avenue, New York.

CREDIT-COLLECTION EXECUTIVE with twenty years' experience in wholesale credit desires change. Married. Age 40. Presently employed in Ohio Valley, but would consider offer in any locality. Address Box 12-C, Credit and Financial Management, One Park Avenue, New York.

National President Ray Wilson Addressing the Friday Night Banquet. Governor Miles of New Mexico (left), Mr. Heimann, Mrs. Wilson, and Miss Annie Porter (right).

Zebraffairs

New Orleans—The New Orleans Herd, Royal Order of Zebras met October 27th at which time the following were elected to serve as officers for the year 1941-42.

A. J. Weibelt, Jackson Brewing Co., Exalted Superzeb; Emile Alt, J. S. Waterman and Co., Most Noble Zeb; L. P. Gardner, Goodman and Beer Co., Royal Striper; L. W. McFaul, Natl Bk of Commerce, Three Horse Power Burro; R. H. Gravlee, Pan American Pet Corp., Keeper of the Zoo; J. B. Charles, N.O.C.M.A., Zebratary.

At this meeting three lowly mules were initiated into the Herd. They are: O. F. Deaforges, I. L. Lyons and Co., P. S. Kernion, Meyer Brothers Drug Co., R. H. Dossat, Wheeling Corrugating Co.

Pittsburgh—The Pittsburgh Herd, at its annual round-up, elected the following officers to serve until September 1942: Exalted Superzeb, Murray V. Johnston, Gulf Oil Corp.; Most Noble Zeb, Ray Willey, Norton Company; Royal Striper, Walter Churchill, Williams & Co.; Three Horse Power Burro, Tom Sheriff, Hamburg Bros.; Keeper of the Zoo, Ivan Hillman, Dravo Corp.; Zebratary, Frank J. Hohman, Credit Association.

After the officers were installed, Superzeb Johnston made a brief talk and outlined the program for the coming year, and especially stressed Association membership work. He congratulated the members upon their membership achievements of past years and charged them to ever keep in mind the "Zebra Pledge."

Six candidates took the obligation of a Zebra, and have been accepted as members on probation until they walk the burning sands at the initiation to be conducted on Monday, December 8. They were: John A. Forster, Oswald & Hess Company; J. T. Anglin, American Cyanamid & Chemical Corp.; George Bartels, Chandler Boyd Company; F. E. Duckworth, Graybar Electric Company; A. L. Lambie, Blaw-Knox Company; T. W. Kirkpatrick, Pittsburgh Coke and Iron Company.

Milwaukee—21 members of the Milwaukee Herd, R.O.Z., Chapter 19, held their annual fall meeting at the Wisconsin Hotel. The schedule for the evening included get-acquainted hour, dinner, short business session, community singing, entertainment and cards. Plans were organized for the initiation and election to be held December 2, 1941. The Herd now numbers 34 members.

Detroit—Thirty-five Zebras and Candidates of Herd #12, Detroit, will leave by bus Friday, November 28 at 5 P. M., for Toledo, Ohio, where the Toledo Herd will brand the following Mules into the Order: Art Sevalt, American Brass Co.; Cal. W. Jones, Daisy Valley Cheese Co.; Fred J. Flom, Detroit Edison Co.; Harold Kline, Detroit Edison Co.; Dave Robertson, Detroit Edison Co.; Tom Peterson, Detroit Edison Co.; Arthur Murphy, Ex-Cell-O Corporation; Merle Hamacher, Michigan Consolidated Gas Co.; Art. Hupp, National Bank of Detroit; Tom G. Black, The Rayl Company.

THANK YOU JIM VANCE!

We are indebted to Jim Vance, Secretary, Tri-State Association of Credit Men, El Paso, for the two excellent photos of the National Board meeting presented on these pages.

What the N. I. C. Chapters Are Doing

Omaha—A class in advanced credit problems is active at the U. of Omaha. Sponsored by the Omaha ACM, the class is taught by Fred Harris, General Credit Manager, John Deere Plow Co.

Boston—Frank P. Bennett, Jr., Publisher, U. S. Investor, was scheduled for the Nov. 18 dinner meeting of the Boston Chapter NIC. Mr. Bennett had spoken at the final 1940-41 meeting. His current subject was "Credit Tests for a Bank's Portfolio."

Albany—A class in Public Speaking, taught by Prof. Homer H. Nugent of Rensselaer Poly. Inst. of Troy, is being sponsored this year by the Eastern N. Y. ACM.

Buffalo—Classes in Credits & Collections, instructed by Bruce G. McFadden, Pratt & Lambert, Inc., are being conducted by the local Credit Men's Assn.

Sioux Falls—Cooperating with the Jr. C. of C. and the Federal Educational Distributive Program, the Sioux Falls ACM is offering classes in business education. L. S. English is Educational Chairman.

Fresno—Plans for a series of Spring lectures on Psychology are now being made by the local educational committee headed by Paul Beckley, W. P. Fuller & Co.

Meadville—Movies taken at the Summer Inst. of Credit Management at Babson Park last August featured the Oct. meeting. They were presented by James M. Buckelew, General Credit Manager, Talon, Inc. In the local Chapter, Eugene Loughney and M. B. Hodges have the Associate Award, while Wilbur G. Baldwin, William Elwell, Bernard Keister, Morris Lee, Carl E. Newell and William K. Watson have earned Fellow awards.

Syracuse—Business English and Correspondence, taught by Prof. Howard T. Viets of Syracuse U., is offered by the local Chapter. Carl H. Jacobsen, First Trust & Deposit Co., is Educational Chairman and officers for 1941-42 are: Pres., Marvin C. Pellenz, Sherwin-Williams Co.; Vice-Pres., Ira Voll, Oneida, Ltd.; Sec.-Treas., Joseph E. Reese, Syracuse ACM.

New York—The local Alumni Assn. joined with Institute members on Nov. 13 in sponsoring a talk by E. H. VanDelden of N. Y. U. on "Business Conferences." The Chapter Alumni are headed by F. J. Lanning, Motor & Equipment Mfrs. Assn.

Rochester—The second forum on Nov. 5 heard R. Lynn Galloway speak on "Mechanics of the Credit Department," followed by a discussion led by Curt Beardsley. The next business meeting will be held in February.

New Orleans—At the annual election and dinner-dance of the Chapter on Oct. 22, the following officers were chosen: Pres., Monroe W. Hatch, N. O. Public Service Inc.; Vice-Pres., W. J. Drez, Louisiana Savings Bank & Trust Co.; Treas., R. H. Dossat, Wheeling Corrugating Co.; Sec., Chas. R. Even, Fairbanks Morse & Co.; Chairman of the Board, H. J. Neelis, A. Baldwin & Co.

Seattle—Courses in Elementary and Advanced Accounting, and Credits & Collections are being offered by the Seattle Chapter of the local Assn. this semester in connection with Broadway Edison Night School. A number of Association members are enrolled.

Indianapolis—All 8 subjects leading to the NIC Associate and Fellow awards are available through the cooperative arrangement of the Indianapolis ACM and Butler U. The Chapter meetings have been combined with the Assn's. Economic Forums under the leadership of Dr. M. G. Bridenstine.

Detroit—Chapter Forum meetings have been announced by the Assn. Local classes are held both at Wayne U and the U. of Detroit.

Philadelphia—Three classes in Financial Statement Analysis, Accounting, and Credits & Collections are sponsored by the Assn., which has equipped its own classroom in the Commercial Trust Bldg.

Des Moines—This year's study class covers Economics. Thirteen members have been enrolled for the weekly meetings, which began on Oct. 6.

Spokane—Twenty-nine students are enrolled in the classes in Principles of Accounting sponsored this year by the Spokane Chapter, NIC. Chap. Pres. C. W. Adams reports that this course will finish the subjects for the Associate award.

Credit Women's Clubs

Minneapolis—Forty-four members attended the meeting of the MWCW Club on November 13 and enjoyed a turkey dinner at the YWCA. Reports were given by the scholarship and membership committees, both of which have been very active and have made excellent progress. The speaker was Mrs. E. P. Gardner, who reviewed Margaret Culkin Banning's recent book on South America, "Salud."

San Francisco—On November 26 the regular monthly meeting of the Credit Women's Club was held at the Western Women's Club. C. H. Sondhaus, President of the Credit Managers Association of Northern and Central California, and affiliated with the National Lead Company, San Francisco, was the guest speaker. Mr. Sondhaus' topic was: "Credit and Collection Letters."

New York—A round table discussion, arranged by the Credit Education Committee was the feature of the October meeting. The subjects for consideration as read by Miss Anna Lichtman, were:

1—Will higher taxes slow up collections?

2—Shall we clear our books of marginal accounts?

3—Will we increase our bad debt reserves?

Miss Lillian Guth, Treasurer of Emerson New York Inc., read a short paper setting forth her answers to these questions. This was followed by a lively discussion from the floor in which the guests, Chas. O'Donnell of Wm. Sleater & Co., and Mr. Hough, of the New York Credit Men's Association participated. The Group was happy to welcome Mrs. Mathilda W. Walker, President of the New Jersey Credit Women's Club, and two of its members, who attended the meeting with her.

New Orleans — Honora Howard was awarded the Charles Cobb Scholarship for 1941 on her essay submitted in the office contest. Her paper was judged best by J. A. Monier, Jr., who acted as Chairman of the Contest Committee.

Atlanta—The Credo Club, the women's group of the Atlanta Association of Credit Men, sponsored the Association's monthly meeting on November 20th at the Atlanta Athletic Club. The speaker was Dr. Boyce F. Martin, Dean of Business Administration at Emory University, who discussed "Defense Industry and Business." Another feature of the program was a skit entitled "Blitzkrieg 5:15." It was presented by several of the members of the Credo Club.

Phoenix—The Credit Women's Club of Arizona is sponsoring an educational course this year. This course started with the meeting on November 11th. It will continue during the winter months. The subject of the course is 'Bankruptcy Proceedings." One phase of bankruptcy matters from the standpoint of the Credit Manager having a claim will be discussed at each meeting.

Tacoma—The November meeting and dinner of the Tacoma Credit Women's Club was held at the home of Mrs. Clyde Alexander. Mrs. Alexander was assisted by Miss Margery Jacobs. There was an interesting business meeting, and plans were completed for attending the Tri-City Conference, Portland-Seattle-Tacoma, of Credit Women, which was held in Seattle, November 15 and 16, 1941 at the New Washington Hotel.

Binghamton—James K. Healy, of the Liberty Mutual Insurance Company, spoke before the Triple Cities Credit Women's Club at its November meeting on the new Financial Responsibility Act for Automobilists in the State of New York. Four new members of the club were welcomed at this meeting.

Oklahoma City—The Women's Wholesale Credit Club of Oklahoma City was organized on October 24th with twenty-five members. A general canvass of women interested in credit management was conducted during the month of November. It is expected that the membership will be considerably increased before the end of the year.

Local Association Activities

Chicago

"The Most Important Credit Problem for 1942" will be the subject for discussion at the next Forum of the Chicago Association of Credit Men, Wednesday evening, January 7, 1942, at the LaSalle Hotel. The Forum will be in the nature of a round table discussion participated in by several prominent business leaders and members of the Association with a question and answer period to follow. In order to arouse interest in the meeting a card has been sent to all members of the Association upon which each member is to write what he or she considers will be the greatest credit problem for 1942. The general discussion at the Forum will be based upon the replies received. Also looking forward to the New Year, particularly March 15, 1942, the Association at one of its regular Thursday luncheons had for its speaker David Himmelblau of the accounting firm of David Himmelblau & Company, a well known tax expert, and a professor at the Northwestern University School of Commerce who spoke on the subject "Your Income Tax Return for the Year 1941."

Minneapolis

The regular monthly meeting of the Minneapolis Association had an above the average attendance, due to the fact that the speaker was District Manager Kiesner of the Priorities Division, O.P.M., and his address dealt with the relation of priorities to the future of small business and non-defense industries. National Director John Ledbetter reported to the meeting on the National Board meeting from which he had just returned.

Preparations for a good attendance at the Cincinnati Credit Congress of Industry are already under way with the appointment of Past-President Ben Schwarz (Waterman Waterbury) as chairman.

Members of the Minneapolis coal credit group were hosts at an all day regional conference of coal credit men from the other major cities of the middle West. Chairman Bob Bowen, Great Lakes, St. Paul, and Entertainment Chairman, Bill Heinz, Berwind, are to be complimented on the fine business and entertainment program.

Fifteen years old! November 15 marked the completion of fifteen years of service by Bert Lindholm as manager of the Credit Interchange Bureau. Congratulations to Bert! Bert's predecessor was Roy Colliton, now Director of Credit Interchange Bureaus, N.A.C.M.

Albany

Two interesting dinner meetings were held during the fall by the Eastern New York ACM. In October the monthly affair at the Hotel Ten Eyck heard Prof. Kenneth G. Bartlett of Syracuse Univ., who spoke on "Invasion—Present Tense." On November 27 at a steak dinner in the Circle Inn in Lathams, the members heard J. Dillard Hall of the U. S. Fidelity & Guaranty Co. of Baltimore.

Chattanooga

The November meeting of the CACM was held at the Read House on November 25th. Wm. G. Layson, Jr., Assistant-Sales Manager of the American Lava Corporation and one of the foremost authorities in Chattanooga on Priorities was the principal speaker.

Douglas C. Wiley of the Wiley School of Business gave a short talk on the employment situation in Chattanooga.

St. Paul

The St. Paul Association of Credit Men observed its 45th anniversary at the annual dinner at the Hotel Commodore on November 11th. The organization was started in 1896 with T. L. Schurmeier as its first President.

Seattle

The Seattle Association of Credit Men held a joint dinner meeting with the Seattle Chapter, Certified Public Accountants, at the Washington Athletic Club, on November 17th. The principal speakers were Albert Moss, C.P.A., who discussed "Financial Statements — Minimum Requirements for Credit Purposes" and also an interesting talk by Dr. Ivar Spector, University of Washington, on "Russia's Role in the War."

Cincinnati

December 20th is the date decided upon for the annual Christmas party, which will be held at the Cincinnati Club. A special Committee on Arrangements is now preparing a program of entertainment and a special feature for this annual "play party."

Rochester

Dr. Tehyi Hsieh, a Cambridge University graduate, and Managing Director of the Chinese Trade Bureau for the North American continent, was the speaker at the November 12th monthly session of the Rochester Association of Credit Men. His subject was "Storms Over Asia."

Syracuse

The Syracuse Association of Credit Men will join with the Syracuse Chapter, National Association of Cost Accountants, on December 9th, at the Onondaga Hotel Roof Garden. This is the fourth in a series of annual meetings between the two organizations which have proven very profitable. The subject for discussion at the December 9th meeting will be the new Federal Income Tax.

DEAD LINE
for news items on 15th of month previous to date of issue.

Need for a Definite Collection Policy

(*Cont'd from p. 13*) year a supply of forms is mailed to about 80 accounts and the customer fills out one form each month similar to an operating statement. The report is, of course, based on an assumed percentage of gross profit, using the actual gross profit earned by the store during the previous accounting period as a basis, or if no inventory was taken, then the average percentage of gross profit for a store doing the same volume of business, located in a town of similar size. The form is more or less a simple outline of an operating statement. At the bottom of each are spaces providing for:

1. Total purchases for the month.
2. Total accounts receivable as of end of the month.
3. Accounts payable as of end of the month.

The monthly earnings of the customer should be reflected in increased inventory—that is, purchases in excess of cost of sales, or an increased investment in accounts receivable, or a decrease in accounts payable.

A monthly record of reports are kept and comparisons are made from month to month. In other words, the form is designed to enable the customer to exercise the proper supervision over the three fundamental items in his operation; namely, expense control, buying control and accounts receivable control. Monthly reports of this kind enable you to work more intelligently with an account because you know what his earnings are and in the event there is an old indebtedness to retire, you are in a position to determine approximately the amount of monthly payments to set up for the customer to meet.

It has been our practice to urge that the customer keep sufficient records to accurately prepare the monthly report. We do not attempt to establish any particular kind of bookkeeping system because our experience in doing this was not successful.

The monthly report which we use was designed to enable us to have a report of operations accurate enough to be reliable and yet simple enough to be prepared from the average druggist's records. While a CPA may criticize the form for accuracy, it has been our experience that it is accurate enough to be dependable.

As you know, the average druggist is a fellow who is not a bookkeeper by profession or inclination, and it is best to let the keeping of records be as simple as is practical.

The Test

An American film producer was selecting a chief for his scenario staff. The producer insisted that the successful applicant must be a college graduate. He looked with favor upon one applicant, and asked if he had had a college education. The answer was in the affirmative.

"Show me your diploma," demanded the producer.

The applicant tried to explain that it was not customary for college graduates to carry diplomas around with them.

"Well, then," demanded the producer, "say me a big word."

Business Thermometer

Wholesaler's Sales, Inventories and Collections for October

A sales gain of 34 percent for October 1941 over the same month a year ago was reported by 2,910 wholesalers, according to an announcement released today by J. C. Capt, Director of the Census. A similar increase from 1940 levels—32 percent—is shown for sales in the first 10 months of 1941. The 34 percent spread over last October falls short of the gains of 38-44 percent over the corresponding months of last year recorded during the third quarter of 1941. October sales of wholesalers were 1 percent above September 1941.

The cost value of inventories on hand at the end of October rose 3 percent from the beginning of the month. The increase in stocks over October 31, 1940 amounted to 21 percent, the sharpest rise over the corresponding month of the preceding year that has been recorded during the four years this information has been collected. The 3 percent increase in stocks during October exceeds slightly the nominal gain in sales between September and October of this year. Compared with October 1940, inventory expansions did not keep pace with sales advances; ratio of stocks to sales dropped from 151 for a year ago to 137 for the current month.

Collections on accounts receivable were more favorable in October than during the preceding month or the same month of last year. Collections equaled 79 percent of accounts receivable as of October 1, compared with collection percentages of 75 for October 1940 and September 1941. Accounts receivable were 35 percent greater on October 1, 1941 than at the same date in 1940, and 5 percent above September 1, 1941.

While industrial lines continued to lead all other trades in sales gains, only wholesalers of machinery, equipment and supplies reported a greater spread over 1940 for October (85%) than for the year to date (63%). While sales of industrial chemicals, hardware and metals were approximately one-third greater than in October 1940, these increases are substantially below those recorded in preceding months. Sales by wholesalers of electrical goods were two-thirds greater than for corresponding periods of 1940, both for October and for the year to date. For the first 10 months of 1941, industrial lines recorded gains of 40-70 percent.

Experiences of consumer - goods lines in general did not parallel trends of independent retail stores as reported in another monthly study of the Bureau of the Census. A leveling off in the rate of sales gains was recorded by some lines of retail trade for October. In contrast, wholesalers of similar commodities — apparel, drugs, dry goods, and furniture—reported continued expansions during the current month. Full-line grocery wholesalers reported gains in dollar sales for October similar to those for the year to date, but substantially less than those reported for September. Following the record advances associated with revision of tax rates in preceding months, liquor wholesalers reported October sales one-tenth under a year ago.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the tables shown on page 40 in summary for the United States and, insofar as the data permit without disclosing individual operations, by geographic divisions.

Business Books

THE PRINCIPLES OF FINANCIAL AND STATISTICAL MATHEMATICS. By Maximilian Philip, Sc.D., C.P.A., Prentice-Hall, Inc., New York.

Financial officers who boast of a college degree sometimes find it useful to turn back to their grammar school arithmetic and algebra to refresh their memories on some of the forgotten formulas. The book, just put out by Professor Philip who, by the way, is Professor of Mathematics in the School of Business of the College of the City of New York, provides a handbook for business executives in the way of a review of some of the mathematics forgotten from the grade school, high school and college days.

WHOLESALER'S sales and inventories, October, 1941

Kind of Business	Sales—Current Month: Number of firms reporting sales	Sales—Current Month: Percent change Oct. 1941 from Oct. 1940	Sales—Current Month: Percent change Oct. 1941 from Sept. 1941	Sales—Current Month: October 1941 (000's)	Sales—Year-to-Date: Percent change from 10 Mos. 1940	Sales—Year-to-Date: 10 Mos. 1941 (000's)	Inventory—End-of-Month (At Cost): Number of firms reporting stocks	Inventory: Percent change Oct. 1941 from Oct. 1940	Inventory: Percent change Oct. 1941 from Sept. 1941	Inventory: Oct. 31 1941 (000's)	Stock-Sales Ratios*: Oct. 1941	Stock-Sales Ratios*: Oct. 1940	Stock-Sales Ratios*: Sept. 1941
Automotive supplies	204	+37	+ 2	6,100	+28	57,421	97	+12	+ 6	4,717	160	200	159
Chemicals (industrial)	21	+34	— 4	1,387	+46	19,958	14	+37	+ 3	1,026	102	100	92
Paints and varnishes	66	+37	+ 5	3,346	+35	29,855	17	+18	+ 5	1,127	161	170	148
Clothing and furnishings, except shoes	48	+38	—20	3,492	+40	32,546	25	+10	— 8	1,217	107	128	110
Shoes and other footwear	33	+42	+ 7	17,315	+41	146,326	20	+17	+ 1	5,486	74	94	65
Coal	13	+53	+ 5	2,439	+40	20,431	†	†	†	†	†	†	†
Drugs and sundries (liquor excluded)	125	+27	+ 6	22,698	+16	214,278	96	+12	+ 3	28,978	163	183	168
Dry Goods	108	+41	— 3	18,240	+36	148,952	58	+14	— 4	19,116	156	184	155
Electrical goods	324	+66	— 4	37,406	+65	398,121	287	+39	+ 8	33,556	98	119	87
Dairy and poultry products	24	+27	+ 5	1,791	+15	22,201	15	+56	— 6	235	46	39	51
Fresh fruits and vegetables	81	+32	+13	4,966	+15	48,443	50	+33	+46	471	26	26	20
Farm supplies	10	+48	— 8	367	+21	6,229	†	†	†	†	†	†	†
Furniture and house furnishings	64	+46	+ 7	8,524	+40	87,912	35	+20	— 1	9,100	148	185	163
Groceries and foods, except farm products	647	+16	— 1	57,062	+15	650,997	391	+30	+ 8	55,420	171	152	154
Full-line wholesalers‡	342	+16	— 4	25,840	+15	263,929	198	+29	+ 9	28,673	180	159	154
Voluntary-group wholesalers	181	+14	+ 1	21,015	+13	243,279	127	+30	+ 7	20,101	185	165	174
Retailer-cooperative warehouses	26	+18	+ 3	4,707	+19	41,238	11	+28	+10	3,646	128	119	118
Speciality Lines	98	+20	+ 3	5,500	+18	102,551	55	+43	+ 5	3,000	107	92	109
Confectionery	33	+18	+ 2	760	+16	6,703	18	+22	+21	351	102	93	84
Meats and meat products	89	+41	+22	30,222	+30	245,069	62	+37	— 3	5,227	42	39	50
Beer	55	+30	—10	1,021	+23	7,971	37	+27	+ 7	309	41	42	35
Wines and Liquors	32	—10	—38	2,780	+26	51,064	23	+29	+ 9	5,668	241	174	141
Liquor department of other trades#	41	—10	—47	3,858	+30	46,794	37	+27	+23	11,021	300	212	127
Total hardware group	384	+39	+ 3	52,073	+50	499,929	255	+19	— §	65,414	173	201	177
General hardware	142	+35	+ 1	29,921	+41	284,341	94	+19	— §	47,152	207	231	208
Industrial supplies	129	+50	+ 4	13,365	+70	144,807	90	+17	+ 1	13,117	130	172	132
Plumbing and heating supplies	113	+36	+ 6	8,787	+51	70,781	71	+20	— 4	5,145	105	113	117
Jewelry	37	+34	—13	2,885	+44	24,265	21	— 4	— 2	2,668	154	215	134
Optical goods	24	+28	— 2	369	+22	3,676	12	+25	+ 1	217	136	131	127
Lumber and building materials	37	+17	+ 2	2,921	+42	41,883	26	+ 6	— 1	2,081	96	110	101
Machinery, equipment and supplies, except electrical	64	+85	+12	4,428	+63	47,081	44	+20	— 2	4,072	124	196	135
Surgical equipment and supplies	30	+28	+ 5	910	+19	12,429	17	+15	+ 3	828	138	160	137
Metals	30	+41	+ 8	5,963	+72	64,597	17	—12	— 3	4,621	102	149	116
Paper and its products	89	+48	+ 8	8,879	+28	77,511	44	+12	+ 2	5,078	125	146	122
Petroleum	10	+41	+ 5	22,667	+23	137,730	6	+78	+17	1,017	70	48	59
Tobacco and Its Products	139	+12	+ §	11,026	+ 7	144,394	48	+13	+ 9	2,104	57	57	53
Leather and shoe findings	13	+40	+16	275	+20	2,033	†	†	†	†	†	†	†
Miscellaneous	25	+35	— 1	2,857	+33	46,189	26	—26	—13	3,122	104	180	119
United States	2,910	+34	+ 1	$339,027	+32	$3,342,988	1,798	+21	+ 3	$274,247	137	151	130

*These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. †Insufficient data to show separately.
‡Not affiliated with voluntary or cooperative groups. #Chiefly of the wholesale drug trade. §Less than 0.5 percent.

WHOLESALERS' accounts receivable and collections, October, 1941

Kind of Business	Number of firms reporting	Collection Percentages*: October 1941	Collection Percentages*: October 1940	Collection Percentages*: September 1941	Accounts Receivable: October 1941 from October 1940	Accounts Receivable: October 1941 from September 1941	Accounts Receivable: As of October 1, 1941 (Add 000)
Automotive supplies	134	66	58	68	+33	+ 7	4,908
Chemicals (industrial)	20	87	76	82	+24	+ 2	1,549
Paints and varnishes	65	64	61	61	+34	+ 1	5,127
Clothing and furnishings, except shoes	42	53	48	57	+19	+19	6,375
Shoes and other footwear	29	56	52	40	+30	+ 6	15,471
Coal	13	88	84	91	+38	+11	2,705
Drugs and sundries (liquor excluded)	51	74	72	76	+19	+10	8,043
Dry goods	91	48	46	44	+41	+10	32,896
Electrical goods	286	74	71	74	+74	+ 5	44,367
Dairy and poultry products	16	154	162	155	+28	+ 4	659
Fresh fruits and vegetables	58	161	138	157	+11	+ 2	1,128
Farm supplies	6	94	69	98	+16	— 3	329
Furniture and house furnishings	49	59	54	56	+40	+ 7	11,632
Groceries and foods, except farm products	454	105	101	102	+15	+ 3	37,961
Full-line wholesalers	221	96	91	95	+15	+ 3	16,524
Voluntary-group wholesalers	134	106	102	101	+15	+ 1	15,044
Retailer-cooperative warehouses	19	183	172	173	+13	— 1	1,905
Speciality lines	80	100	102	98	+21	+ 7	4,488
Confectionery	20	74	60	72	+21	+10	511
Meats and meat products	71	187	200	149	+49	— 4	15,225
Beer	16	140	132	146	+ 7	—12	146
Wines and liquors	23	71	79	79	+56	+13	3,982
Total hardware group	329	68	60	63	+31	+ 3	64,041
General hardware	122	64	55	57	+23	+ 3	41,686
Industrial supplies	108	81	72	78	+51	+ 1	12,509
Plumbing and heating supplies	99	73	67	68	+43	+ 8	9,846
Jewelry	27	23	16	25	+23	+27	5,171
Optical goods	19	65	53	63	+15	— †	394
Lumber and building materials	34	68	71	69	+26	+ 4	3,610
Machinery, equipment and supplies, except electrical	50	76	71	76	+69	+12	4,112
Surgical equipment and supplies	28	54	51	52	+24	+ 6	1,317
Metals	24	114	92	104	+27	— 8	5,087
Paper and its products	74	71	65	67	+27	+ 5	9,167
Petroleum	7	137	127	128	+22	— 3	1,160
Tobacco and its products	84	121	121	122	+14	+ 3	6,171
Leather and shoe findings	11	56	48	50	+19	+ 4	282
Miscellaneous	26	64	57	65	+21	+ 5	4,158
United States	2,157	79	75	75	+35	+ 5	$297,693

*Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
†Less than 0.5 percent.